The effects of the dislocation of a dominant player on competition within a fine art cluster

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This thesis is submitted in total fulfilment
of the requirements for the research degree of PhD

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Submitted in December 2010

Dedication

To my mum, who introduced me to the world and to art (1922–1995)

To my dad, who taught me dedication (1912–2009)

To the Sisters of Saint Joseph who introduced me to the 'Great Masters'

Frances Kavanagh (SRJ) – I think of you and love you every day

Also to …

Maryann, my cousin who has listened and been my canoe
Dad who has loved me and been the gentle breeze in my sail
Trish, my sister who has guided me through the ebb and flow of life's tide
Bernadette, Michele, Andrea, Jacinta and Ane who always nurture my journey
with friendship and truth
Stephen, my husband, who kisses my brow when the horizon is far
Noah, my son the water nymph who pops his head up next to my boat
and helps to make sense of it all.

Abstract

This investigation examines the applicability of cluster theory in predicting what happens in a set of business relationships when a key player moves out for an indeterminate time but indicates it will be back. It involves a longitudinal research design using a mixed method approach to explore the dynamic inter-relationships of the fine art sector in this period of change. The main research site is the Melbourne fine art cluster, but the work also includes three situations that help to reflect the relevant system dynamics. This multidisciplinary study contributes to the field of regional development, industrial organisation and innovation by analysing how, as the structure of a cluster changes, the behaviour of cluster participants and the nature of competition in the cluster is affected. Hence, this exploratory investigation moves beyond commonalities between suppliers, resources and technologies to consider the cluster's distinctive character and support networks which act as a significant knowledge resource to the regional cluster.

Various models of cluster operation are examined in order to identify underlying issues of networks, systems and a cluster's configuration in terms of power relationships and authority. By documenting the change process, the research contributes significant clarity to the understanding of the structural dynamics that enhance cluster strength. It demonstrates that the growth of inter-relationships and innovative activity in a dislocation period can diminish greatly as the key player returns to its pivotal role. This reinforced the importance of interactivity, both within and outside the cluster as a vital contributor to the fine art industry's potential and success.

The longitudinal design of this study allows for the consideration and examination of patterns of activity and behaviour, over time, with an emphasis on the cluster's intangible and tangible assets while its retrospective approach provides an opportunity for comparability. Qualitative data was collected using interviews while additional data was gathered using attitudinal scales and examined using category identification. However, because of the sample size this was a minor part of the study. The study clearly demonstrates the significant control that the *National Gallery of Victoria (NGV)* exerts on the sector through its ability to manage information and resources and how during dislocation this influence was reduced and the cluster took on a different character. This was evident in that small and medium enterprises (SMEs) in the Victorian fine art cluster became more self-sufficient, suggesting that the dominant player suppresses SME innovativeness in the cluster. The structure of the cluster and particularly the behaviour that a dominant player induces may be important in a consideration of the ideal nature of a cluster. The contribution of the longitudinal data shows that change in the absence of a key player can be positive but that policy needs to be revised if it is demonstrated that the cluster is vulnerable to that key player.

Statement of Authorship

Except where explicit reference is made in the text of the thesis, this thesis contains no material published elsewhere or extracted in whole or in part from a thesis by which the author has qualified for or been awarded another degree or diploma. No other person's work has been relied upon or used without due acknowledgment in the main text and bibliography of the thesis.

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Applicant Supervisor

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Date Date

Acknowledgments

I would like to begin by expressing my love and deep gratitude to my husband, Stephen. Thank-you Stephen for believing in me and for offering unyielding support and inspiration, for your kindness in giving me space, validation and practical help and for having the grace to encourage me even when it meant carrying the burden of other aspects of our lives. To my son, Noah, thank you for coming into our world, for your laughter and for sharing the morning sunshine on our way to school. I look forward to being with you both.

I would also like to offer my gratitude to the many people who have generously contributed time, advice, information and encouragement to this study. I am indebted to you all. Special gratitude goes to my supervisors and colleagues, Professor Julian Lowe, Doctors Patrice Braun, Pam McRae-Williams and Peter Oppenheim for their invaluable insights and guidance, patience and friendship throughout the study; my academic and administrative colleagues in the School of Business at the University of Ballarat for their positive and unfailing support; the Research and Graduate Studies Office staff – especially Diane Clingin for her balanced approach and for keeping me steady and on course when challenges arose. I am also immensely grateful for the specialist assistance of Associate Professor Jim Sillitoe, University of Ballarat, and Dr. Jacinta Ryan whose sophisticated knowledge and ability to translate theoretical approaches into practical implications for this project was crucial to the outcome of this thesis. I would like to offer Dr Ryan an additional thank you for tackling my over-ambitious early drafts and nurturing my writing. I also wish to express my gratitude to the following industry partners for their accessibility and financial support, National Gallery of Victoria (NGV), Art Exhibitions Australia Ltd., and one small but significant commercial gallery that while remained unnamed, was inspiring to many in the field. My appreciation is also extended to those who participated in the study, and for their thoughtful insights. Finally, a huge thank-you to my family, extended family and close friends, Michele, Andrea, Ane, Sarah and Bernadette for their patience, encouragement and faith. A special thank you to Bronwyn Higgs, my mentor and friend who extended her hand in the initial collaboration and research with Victoria University, and together with Professors Ray Over and Julian Lowe, was implicit in gaining the Australian Research Council (ARC) competitive grant. Finally, a huge thank you to our family, Luke, Tim, Justine and Jessica who have been thoughtful and respectful of the solitary task of completing this study even when it meant not being able to spend time with their father and young brother. And finally to my sister, Patricia who has done everything in her power to keep me focussed which has enabled me to complete this challenge.

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List of Abbreviations

ABS – Australian Bureau of Statistics.

AC – Australia Council.

AV – Arts Victoria.

AEA – Art Exhibitions Australia Ltd.

ACGA – Australian Commercial Galleries Association.

DAA – Data Analysis Australia.

DCITA – Department of Communications, Information Technology and the Arts.

MAF – Melbourne Art Fair.

MV – Museum Victoria. Also described as Melbourne Museum .

NATSIA – National Aboriginal and Torres Strait Islander Art Award.

NAVA – National Association for the Visual Arts.

NGA – National Gallery of Australia.

NGV – National Gallery of Victoria. Also described as the Gallery.

PGAV – Public Gallery Association of Victoria.

PV – Parks Victoria.

SFN – Small firm network

TWMA – TarraWarra Museum of Art

VFLAA – Victorian Foundation for Living Australian Artists.

Chapter One Introduction

1.1 Introduction

This thesis examines the applicability of cluster theory in predicting the interactions among businesses during a disruption of the key player's core activities. The aim of this longitudinal study is to focus on the dynamic inter-relationships between a grouping of fine art and other firms when the dominant firm is dislocated and returns over a four-year period. Using a case-study design, the research analyses the importance of entrepreneurial behaviour among small and medium cluster members in response to the key player's absence. This multidisciplinary study will contribute to the field of regional development, industrial organisation and innovation by enhancing the understanding of the growth dynamics of clusters and the ability to anticipate competitive behaviour during a period of major change.

The Victorian fine art sector in Australia offers a unique opportunity to explore cluster theory in a situation that can be observed and compared before, during and after the change. The interactions between small and medium enterprises (SMEs) in the fine arts and associated domains came into focus when the central player, the *National Gallery of Victoria's* (*NGV*), was dislocated and its core activities were interrupted over the period 1999 to 2003. The *NGV's* circumstance enabled an investigation to address a gap in knowledge about how fine art businesses, including some that are competitors, inter-relate as a system and how, and to what extent, a previously pivotal player can reinstate its position. The study highlights the importance of power relationships within the cluster by illustrating how a more cohesive, organic flow becomes possible as SMEs collaborate and shift into greater self-sufficiency in the absence of top-down information flow linked to the key player's dominant position. By documenting the change process, the research offers a significant clarity about structural dynamics that contribute to cluster wellbeing by demonstrating that the growth of inter-relationships and innovative activity in a dislocation period can diminish greatly as the key player returns to its pivotal role. Examining the capacity of the larger player to decrease the effectiveness of SMEs offers greater insight into the need for collaboration as a critical pathway to generating information flow, knowledge transfers and innovative activity that enhance an industry's growth and its potential to contribute to regional prosperity.

1.1.1 Genesis of the Study

The study originated in Australia's second largest city, Melbourne, which has gained a distinct competitive edge through its strong links with culture (Charles Sturt University, 2008; Usher, 2003). Melbourne's specialised assets and factor conditions have set the scene for the city's long cultural relationship with the fine art industry, its support network and the influence of its robust community patronage and home-demand conditions (Vaughan, 2009a; Barclay, 2009). The redevelopment and expansion of cultural amenities has become central to the State's broader regional growth strategy, its ability to reflect a distinct urban characteristic and a predisposition to attract and sustain a global knowledge-based economy.

The research opportunity came ahead of the centenary of Australian Federation in 2001, when Victoria was allocated the majority share of a $1 billion national investment in the cultural and fine art sector. The extensive upgrading led to significant refurbishment, additions and technical upgrades to state, regional and public galleries in Victoria. A key component of the program involved the closure of the *NGV* to allow for a major internal renovation. When the *NGV* returned four years later, it re-entered the sector split into two entities, one at the original St Kilda Road site, the other at the adjacent entertainment and leisure precinct at Federation Square. The restructured *NGV* re-emerged in the market with a vigorous State Government directive to resume its role as a key public attraction with a leadership function as the hub organisation in the fine art sector.

Inspired by the *NGV's* temporary withdrawal, this study utilised the unique combination of intense localised dynamics and global interaction provided by the fine art sector as an ideal setting to analyse the nature of cluster interactions before, during and after change to the role of the major player– a situation that typically presents entrepreneurial challenges to existing players and potential entrants. In the lead-up to the *NGV's* withdrawal, three industry players were invited as part of an *Australian Research Council (ARC)* industry-linked research grant to participate in this study as representative of all levels of the fine art cluster. The industry participants, all long-established players in the national and regional fine art industry cluster, were the *NGV*, *Art Exhibitions Australia Ltd* – a public entity that supports industry development within the international and national supply network – and a commercial SME located in Melbourne's inner-city.

1.1.2 The Fine Art Industry in Victoria

The fine art industry incorporates all aspects of the visual arts and craft sector and it consists of both public and private enterprises. In Australia, the vast majority of these public institutions and commercial enterprises are located in the eastern sea-board capitals of Sydney and Melbourne (ABS, 2009a), with a strong concentration in the inner-metropolitan areas. Most of the larger firms are in the public sector, although many public galleries are also classed as small and medium enterprises (SMEs). Private commercial galleries consist of micro-businesses (99%) that are mainly operated by working proprietors and partners (ABS, 2001b). The most recent census (ABS, 2001b) cites over 500 commercial gallery SMEs listed nationally. More than 150 galleries and about half of the nation's 77 public art museums are identified in Victoria (McCulloch, J. 2008, 2005; McCulloch, A., McCulloch, S. & McCulloch Childs, 2006). The *NGV* is the largest art museum in the state and one of eight government-owned cultural institutions (Arts Victoria, 2008).

For the purposes of this study, Victoria's public fine art institutions, policy-making entities, commercial enterprises and galleries, together with their museum and gallery associations, constitute the core of the fine art cluster. A cluster has been defined as an agglomeration of heterogeneous firms cooperating in ways that strengthen the competitive advantage of the collective and they are evident in a wide variety of industries (Swann, Prevezer & Stout, 1998) and areas of specialisation (OECD, 1999a). Framed within a geographic context, the fine art cluster is concentrated in inner-metropolitan Melbourne. It is closely linked to neighbouring clusters that are co-located in the inner-city around the cultural, recreation and leisure industries. Together, these fine art and neighbouring clusters complement each other's functions and are pivotal in boosting their combined productivity.

In addition, the Victorian fine art industry has formed strong interdependent relationships with broader industry stakeholders. These collaborative relationships with other key anchor firms in sectors such as finance, research and business are a particular strength of the fine art sector. The predominance of these strong personal and ongoing relationships (Barrowclough, 2006; McCaughey, 2003), together with high levels of social capital and community networks contribute to mutual trust and reciprocity that contribute to the value creation process (Morgan, 2004; Porter, 1998a). The ability of the fine art industry to include all segments of the region's community also ensures that the cluster's potential of wealth creation is fully realised (Rosenfeld, 2007) – an important element of success when pursuing sustainable growth and outcomes depicted by the notion of the triple bottom line (Rosenfeld, 2009; Brown, Dillard & Marshall, 2006):

- Conventional economic outcomes that increase wealth in the aggregate;
- Social cohesion that expands economic opportunity and access to wealth;
- Environmental outcomes that produce more sustainable economies and healthier communities (Rosenfeld, 2009, p.10).

In parallel with this drive towards sustainability, the Victorian Government's regional development strategy recognises the fine arts as a dynamic resource that promotes growth and innovation (Arts Victoria, 2003a). In keeping with this priority, the fine arts have been chosen by State Government for support. However, the State Government report (Ammirato, Kulkarni & Latina, 2003) on cluster potential in Victoria focussed narrowly on economic outcomes and did not recognise the fine arts and its neighbouring industries as clusters. This suggests that the Victorian economy may not be maximising its opportunities by overlooking the multifaceted wealth effects that could stem from the fine art cluster. This study will provide an opportunity to demonstrate that the fine art cluster does exist in Victoria and that its configuration and behaviour may be an important consideration in guiding new economic development strategies.

1.1.3 A Cluster Approach in the Fine Art Industry

A fundamental and distinguishing feature of the fine art industry is the need for innovation and creativity – not only in production where each output is a prototype or limited series (ABS, 2008d; KEA European Affairs, 2006; Lampel, Shamsie & Lant, 2006b) but also in how it is managed, distributed and consumed. Adopting a cluster approach enables a focus on the linkages and interdependencies among networked actors in the fine art cluster in the production of goods and services and in innovation. Successful clusters are characterised by highly concentrated links between businesses, entrepreneurs, investors and researchers. Within a cluster, members define relations with each other by staking out positions, such as claims about the markets they are serving, the goods and services they produce, and the technologies they employ (Baum, 1997).

Academics have used the writings of Porter (1998a, 1990, 1980) as a critical sounding board for current cluster discussions and argued that regions develop a competitive advantage based on their firms' ability to continually innovate in partnership with businesses that demonstrate some co-location and concentration of activity or processes and relationships (OECD, 2008, 2001a, 1999a; den Hertog, Bergman & Charles, 2001a; Bergman & Feser, 1999b; Simmie, 1998; Bergman, Maier & Todtling, 1993). Innovation is essentially linked to change (Porter, 1998a): change in products and services which an organisation offers, and change in the way they are created and delivered. Economic vitality through innovation can be considered to be a direct result of the synergy generated by joint competitiveness, compared with the lesser capacity of a lone operator. Inside the cluster, innovative firms have a sophisticated system in which information is developed and exchanged as a key part of a knowledge-based economy (den Hertog, Bergman & Charles, 2001a; OECD, 2010, 1999a).

Most research into clustering has focused on commonalities between suppliers, resources and technologies with scant attention placed on demand issues, such as the encouragement of new entrants during dislocation of its key player and supply issues such as the effect on entrepreneurial behaviour when service delivery by the dominant member is disrupted. Functioning within the cluster as well as the overall success of members can be profoundly affected by entry of a new member or by departure of a current member (Porter, 1998a). Temporary or permanent relocation of one member can create new opportunities for the remaining cluster participants. While the relocating firm incurs costs through its activity (Baum, 1997), the event can act as a stimulus by triggering a series of cascading re-positioning decisions among the remaining cluster participants. In the face of an altered cluster landscape, all participants can be expected to redefine their relations with other members of the cluster and with markets.

It is this type of dynamic situation that underlies the basis of this examination of the Victorian fine art cluster, with its focus on the inner-city and metropolitan districts. In this study, clusters are considered from an innovation systems perspective (OECD, 1999a), in which a change in any component will invariably affect other components of that system. The fine art cluster's key player, the *NGV,* has simultaneously been the dominant member of Victoria's industrial and regional fine art clusters as well as a powerful figure in the Australian fine art industrial cluster. The *NGV's* position of strength, together with the effect of disruption of its core activities, has provided an opportunity to test the impact of a key player on the whole industry system and the response of the cluster when the dislocation comes to an end. Cluster innovation can depend not only on how specific actors (enterprises, research institutes, universities) perform, but on how they interact with one another as elements of a complex, interdependent system. Clusters can provide an environment where change is either actively enhanced or standardised through incremental innovation.

1.1.4 Innovation and Change within the Fine Art Cluster

The tension between innovation and change is that the two are inextricably linked (Helfat, 2000a; Porter, 1998a). Evolutionary economic theory, (ABS, 2002b, p. 5) specifically acknowledges that:

> … businesses need to innovate in order to adapt to the changing environment … innovation and the technological and organisational changes associated with it, are the key drivers of long-run economic growth.

A cluster's complex pattern of cooperation and competition (TCI, 2008, 2002; Rosenfeld, 2001, 1996a; Enright, 2000a, 2000b; OECD, 1999a; Brandenburger & Nalebuff, 1996a), together with its critical mass of local knowledge, expertise, personnel and resources, regulates the cluster's ability to innovate, adapt to change, and stimulate growth. However, the atypical nature of the fine art cluster means that innovation is not determined by patent-of-copyright, but instead by an 'interactive learning process' (Simmie, 1998, p. 1262) that allows flexibility, openness toward risk and the capacity to explore new networks and sources of information.

Information exchange plays a large role in the process of innovation and improvement (United Nations, 2008; Lampel et al., 2006b; KEA European Affairs, 2006; Rosenfeld, 2001; Enright, 2000b; Simmie, 1998; Porter & Millar, 1985). In a knowledge-based economy, clusters of innovative firms form around sources of information. The clusters are based on a sophisticated infrastructure in which knowledge is developed, shared and exchanged, and are characterised by highly concentrated and effective links between entrepreneurs, investors and researchers. Simmie (1998, p. 1262) defines innovation within the context of a firm or individual's ability to share information with multiple actors, suggesting:

> Innovation is the successful … exploitation of new technologies, ideas or methods through the introduction of new products or processes, or through the improvement of existing ones. Innovation is a result of an interactive learning process that involves often several actors, from inside and outside, the companies.

Emphasis on the learning process reinforces the notion of physical proximity, as well as close and ongoing relationships. In contrast to an isolated firm, a cluster's geographic concentration, location-specific orientation and physical proximity of firms, heightens a member's ability to acquire information and knowledge through direct observation of other firms. This argument is in line with the OECD (2008), which states that the linkages between industries is a key source of innovation and this has important international implications. With globalization, dynamic clusters are becoming central to a county's capacity to attract the international investment that generates new technological expertise, interest in innovation (such as venture capital) and benefits from the international mobility of skilled personnel (OECD, 1999a).

However, the paradoxical implication for members of the cluster is that they have to use cooperation to enhance competition. The presence of competition provides incentives to innovate, while networking and collaboration build the capacity to innovate. Systems of innovation assume that 'companies, in their quest for competitiveness, are becoming more dependent upon complementary knowledge in firms and institutions other than their own' (Roelandt & den Hertog, 1999a, p. 413). The phenomenon of clusters exhibiting collaboration alongside competition has been referred to by Dunning (1997) as alliance capitalism. Collaboration in close proximity provides a spur to innovation. Competition within a cluster, due to increasing returns (Arthur, 1989), will be an increasing sum game.

In the literature, the concept of alliance capitalism has been developed over the past decade to indicate a new stage in the development of modern economic systems: the coexistence of competition and collaboration, sharpened by globalisation, with an increasing number of network relations and alliances (OECD, 1999a). The network of relationships is greater than the sum of its parts. A key player can influence innovation and dynamism within the system through strategies that can range from highly competitive to highly cooperative (Arikan, 2009). Through its dominant position in the hierarchy, the lead actor can enhance synergy and the flow of information and ideas both from within and from outside the marketplace. According to alliance capitalism, the collaborative key player can ensure knowledge mobility (Dhanaraj & Parkhe, 2006) within the cluster network and can enhance the capacity for improvement, innovation and competitive upgrading. The expectation from an alliance capitalism framework is that the exit of a major player will damage all existing firms because it compromises the capacity to create and sustain advantage (Birkinshaw, 2000; Porter, 1998a) that stems from the system operating as a viable whole. The cluster's mutually reinforcing system diminishes with the loss of the key player and its influence over the industrial organisation.

In contrast, the traditional neo-classical model developed in the 18th and 19th centuries, would depict close proximity in product or geographical space as a stimulus for competition, with competitive moves and new entries reducing industry margins and firm profitability. Neo-classical economics, born in 1900 (Colander, 2000), holds that free markets usually bring about an efficient allocation of resources that inhibits cooperative activity. Thus, from a neo-classical market perspective, the exit of the key player would stimulate competition, as the vacancy attracts new entrants and encourages existing firms to re-position. The resulting dynamic is believed to improve the prospects of both the incumbents and incoming firms which capitalise on the opportunities previously absorbed by the key player.

The *NGV*'s position and leadership role within the fine art cluster describe an interesting market structure or competitive context. The *Gallery* is a dominant 'firm' and the rest of the cluster comprises small firms. Competition, tacit collusion and cooperation are all ingredients of this type of structure. Carlton and Perloff (2004) call this situation a dominant firm with a competitive fringe. In this research it is referred to as 'asymmetric competitiveness' – a term that reflects the disparities in size, strategies and organisation of the *NGV* and the surrounding SMEs. This competitive structure is not monopoly, competition or monopolistic competition. The nature of relationships and distribution of resources in this context illustrate an asymmetry in size and strategy between the one dominant player and the multiple SMEs which sometimes collaborate and network with each other and the *NGV* but at other times compete. This latter circumstance is referred to as co-opetition (Brandenburger & Nalebuff, 2002, 1996a). It is predicted that the exit of the major player will allow the SMEs that make up the remainder of the cluster to build on their level of interaction. However, the understanding that the exit of the key player is temporary and that it will return to its dominant position upon re-entry might influence the strategies of SMEs over the period of dislocation because their expectations of future states will influence current behaviour.

Whilst in this study the market structure is referred to as asymmetric competitiveness, some marketing literature uses the term asymmetric competition to refer to competition between rivals where the 'same competitive actions have different effects on the (one) rival depending on who has taken the action' (Lopez-Belbeze, 1999, p.5). This dissertation uses asymmetric competitiveness to describe the difference in strength and strategy of the different players in the market.

1.2 A Case Study of the Fine Art Cluster

This study adopts a case study design to investigate the innovative behaviour that results from the fine art cluster's dynamic response to the *NGV's* dislocation. The case study approach has been well documented as an acceptable technique for undertaking qualitative (Stake, 2000) and quantitative research (Yin, 2003) in the small business and entrepreneurship fields (Perren & Ram, 2004). Case studies enable the investigation of a contemporary phenomenon within its real-life context, which can allow researchers to discover a fresh perspective (Eisenhardt, 1989) that refines theory and suggests complexities for further investigation (Stake, 2005). In this research, the case study approach was a cogent means to understand the unique situation of dominant player dislocation and the cluster's response to its re-entry. As the first study of this phenomenon in the cultural and economics field, this case study has provided an opportunity to elaborate upon the growing body of theory that has developed around clusters and its analysis.

Given the link between economics and culture in this study, various models of cluster operation are examined in order to identify underlying issues of networks, systems and a cluster's configuration in terms of power relationships and authority. This allows for the consideration and examination of competitive dynamics and behaviour over time and to ascertain the effect of the *NGV*'s exit and re-entry into the cluster. By documenting the change process, this exploratory investigation endeavours to capture the difference between the lead firm and the SMEs that make up the remainder of the cluster. Further, to determine whether, by taking out a major player, the remaining SMEs benefitted through less competition, or the *NGV* was the attractant and its absence detracted from the cluster. This is important because of the strategic orientation of a lead firm can influence whether the cluster works from either a cooperative or competitive paradigm. This can enhance or diminish knowledge mobility within the cluster network (Dhanaraj et al., 2006) and subsequent innovation.

1.2.1 The Research Terminology

A review of the cluster literature indicates there has been uncertainty in the definition of clusters (Bergman & Feser, 1996; Feser, 1998; Jacob & De Man, 1996; Porter, 1998a; Rosenfield, 1997). The evolving definitions are discussed in Chapter Two. Rosenfield (1997, p.4) argues that 'a cluster is very simply used to represent a concentration of firms that are able to produce synergy because of their geographic proximity or interdependence'. In this study, clusters are considered to be concentrations of enterprises that can be measured or classified as clusters because they demonstrate some co-location and concentration of activity. A cluster comprises a heterogeneous grouping of businesses that collaborate, interact and cooperate (Rosenfeld, 2009; TCI, 2002; OECD, 1999a) to strengthen the collective.

Clusters can also be identified at several levels of aggregation. An industrial cluster (Porter, 1990) – where firms are related through buyer-supplier relationships, common technologies, common buyers, distribution channels or common labour pools – can be distinguished from a regional cluster, where 'groups of closely related and complementary industries' operate within a particular region (Delgado, Porter & Stern, 2010, p.1). A regional cluster is an industrial cluster in which member firms are in close geographic proximity to each other (TCI, 2006; Enright, 1993, 1992). Regional clusters, as defined in this study, include industrial districts of small and medium sized visual art and craft enterprises with concentrations of firms related through the development and use of common technologies and production systems that contain large hub firms (such as the *NGV*) and their local suppliers and spin-offs.

Change is the core concept within this case study and it invites consideration of key explanatory terms for describing key player behaviour. In the fine art cluster, the phenomenon has warranted the use of the term 'dislocation' – in preference to 'disruption' or 'reform' (Kazakevitch & Enzinger, 2002) due to the nature of the change – for encapsulating the long-term downsizing, restructure, relocation and subsequent re-entry of the major player within the cluster system. Often used within the science and medical sectors, the term 'dislocate' is understood to mean the disturbance of the 'normal connection' within a system (Tulloch, 1992). Dislocation is when a structure is 'displaced from its proper position' where recovery may include immobilisation (or in this case where the key player within the system assumes a weaker role) and a period in which it may be manipulated back into place (or its location). While the *NGV's* key services were disrupted, the term 'disruption' is lacking as it gives reference to being short term and does not necessarily associate change, while 'reform' suggests 'radical change' for the better (Tulloch, 1992). The term 'dislocation' therefore suits the focus of this study as an opportunity to compare the effect of key player exit and re-entry on the innovative achievements and consequent innovative status (Spielkamp & Vopel, 1999) of the cluster and its members over time.

1.2.2 The Research Situation

Since 1861, the *NGV* has simultaneously been the dominant member of industrial and regional fine art clusters in Victoria, as well as a powerful figure in the national fine art industrial cluster. In terms of the broader industrial cluster, the *NGV* is not only the most significant repository of colonial art works in Australia, but it also provides curatorial experience, conservation expertise, authority in authentication and valuation of artworks, and expertise in archival storage and in electronic retrieval of archived material. The *Gallery* is recognised for the quality and extent of its collection, research and publication record, while its public programs have ensured it has ranked 19th in the world on the basis of visitation statistics (Vaughan, 2008b). The *NGV* enjoys one of the highest community participation rates in the world (Vaughan, 2009b; Barclay, 2009) with community benefaction playing a key part in its collection's status. Its socially embedded networks distinguish the *NGV* from international art museums that are more dependent on private endowments and tourism while its infrastructure plays a key functional role in enriching and revitalising Melbourne's inner-city – a potent symbol of the city's cultural leadership.

As the first public art gallery in Australia, the *NGV's* collection was housed with the Public Library, Museum and its Art School, which admitted its first students in 1867. The *NGV* subsequently moved to its current site on St Kilda Road in 1968, co-located with the city's cultural centre in a new arts precinct, south of the Yarra River. In the early 1990s the *Gallery* acknowledged that its St Kilda Road building could no longer successfully meet the demands of its growing collection and extensive exhibitions schedule and closed for major refurbishment in mid-1999 (see Figure 1.1). Its collection moved into storage and after five months opened its temporary premises, *NGV on Russell.* This temporary gallery – on the original 1861 site in the current State Library of Victoria building – consisted of three renovated exhibition spaces, however spatial constraints permitted only a small proportion of the main art collection to be displayed. During this time the *NGV* was not able to exhibit the majority of its collection in conjunction with major touring art exhibitions, nor was it able to offer anywhere near its previous level of educational services or community-orientated contemporary exhibition spaces such as its *Access Gallery*. The *NGV on Russell* closed in June 2001, five months before the State's art museum re-opened for public access. The three phases of transition phases is illustrated in Figure 1.1.

Phase 1	Phase 2					Phase 3
Prior to Dislocation	Dislocation Phase			Re-entry Phase		Re-establishment Phase
1968	1999	2000	2001	2002	2003	2005-2008
NGV St Kilda Road opens Aug ‘68	**NGV closure June ‘99**			**NGVA opens Nov ‘02**	**NGVI opens Dec ‘03**	
		NGV On Russell Temporary Site Oct ’99 – June ‘01				

Years not drawn to scale

Figure 1.1 Phases of dislocation and re-entry: *NGV* timeline 1968-2008

On re-entering the cluster, the *Gallery* relocated itself at two separate sites, positioning both entities under the overarching *NGV* brand . The *Ian Potter Centre: NGV Australia (NGVA),* home to the colonial and contemporary Australian collection, opened in November 2002 in Melbourne’s newly developed urban ‘hub’ at Federation Square – positioning itself in the entertainment and leisure arena. Noted as a city gateway and civic destination (Walker, 2003, p. 25), the *NGVA* is a ‘significant anchor tenant’ within this cultural, commercial and civic precinct. In December 2003, the *NGV International (NGVI)* in St Kilda Road re-positioned itself as home to its international collection in its refurbished building within the Southbank arts precinct.

1.2.3 The Research Approach

The research is organised using a framework approach, which provides both a structure and a methodology specific to this longitudinal study. The framework is developed from the OECD (1999a) and has been used to inform the understanding of the way clusters work and how they can become more productive through innovation and change. The framework is used to identify key elements of the cluster and provides the structure for identifying cluster dynamics, behaviour and the ability to work as a system. This process enables the classification to be compared over time: identifying how, and to what extent, dislocation of the key player affects functioning within the group of firms.

The OECD framework presents the cluster from an innovation systems perspective that focuses on networks of strongly interdependent firms (including specialised suppliers). It underpins two essential elements (i) systemic character and (ii) interdependency.

Hence, in this respect, the study operates on two sequential levels. It commenced with an initial overview of clustering within the fine art sector and moves into a micro-level consideration of the cluster's internal behaviour: its network paradigms, interdependencies and systemic character. The macro-analysis features the development of a map to establish interactions and networks between members of the fine art cluster in the period before temporary disruption to the core activities of the *NGV*. The mapping is a visual schematic that describes the different components of a cluster, how they relate to each other and their synergies (Austrian, 2000). This phase is designed to examine the *NGV*'s position and identify other significant players including large and small enterprises, their locations and relevance to the value chain.

In line with cluster theory, the mapping entails identification of horizontal and vertical formations (Porter, 2000, 1998a). Horizontal relationships occur where similar fine art firms occupy comparable positions in the value chain (Michael, 2007). These firms are competitors, dealing with similar products and services, using similar productive resources in the fine art domain. Looking upstream, players will be identified through vertically linked industries and other entities important to competition, including suppliers of specialised inputs, services and infrastructure. The mapping also describes the downstream flow to channels and customers, and shifts laterally to manufacturers of complementary products and companies sharing skills, technology and inputs. Once completed, the mapping will have established the boundaries of the cluster and provided an overview of the interactions between members.

In the second phase, the study entailed the selection of three groups that are pivotal to the structure of the cluster in order to gain multiple perspectives of what happens in a set of business relationships when a dominant player moves out but indicates they will be back. Surveys and interviews are undertaken with representatives of the *NGV*, SMEs inside the cluster, and businesses in neighbouring clusters. Specifically, representatives of the three domains have been asked to consider the nature of their business and attitudes and perceptions of the *NGV*, competition and innovation within the cluster. This was undertaken in two stages. In the first stage cluster members are asked to respond to a questionnaire in 2003 supported by focussed interviews asking about the cluster at that time and five years earlier (prior to dislocation in 1998). This process is repeated during the re-entry phase in 2005 with a broader group who identify their current issues and activities compared with a retrospective account of these factors during the dislocation phase in 2000.

This research has adopted a novel approach to the data collection, comparative analysis and interpretation processes. Its longitudinal design assumed a retrospective comparative study over two time-frames and three stages of transition, adopting a triangulating, convergent methodologies approach (Jick, 1983). The longitudinal design allowed for the systematic collection and analysis of both secondary and primary data relating to the research issues. Addressing the research issues from multiple perspectives provided a more complete understanding of the reality of change and allowed for a fusion of information from multiple sources. The outcome has been the development of valuable insights that can inform responses to the primary research question.

1.3 The Research Questions and Aims of the Study

The purpose of this longitudinal investigation is to analyse the levels of innovative activity during the process of change within the Victorian fine art cluster and determine the effect of dislocation of its key player on cluster functioning. The key question for this research study is:

> *How does the temporary dislocation of the NGV from the Victorian fine art cluster affect the workings of this cluster?*

In order to respond to this question, the research is designed to address three separate sub-questions:

1. What was the nature and structure of the Victorian fine art cluster at the beginning of this study?
2. How does interaction, interdependency and networks between cluster members change over the period of the study?
3. How does dislocation affect innovation, knowledge flows, information sharing and cluster competitiveness over the period of the study?

1.4 Significance of the Study

Clusters have recently become a prevalent form of industrial organization (Arikan, 2009), and their innovativeness is considered to be a key source of regional, national and international competitive advantage. Consequently, there is need for research that enables a better understanding of the intricacies of knowledge exchange within and between players as well as from external sources. The nature of relationships and distribution of power (Vatiero, 2006) among firms therefore becomes a critical factor in the cluster's culture and capacity to absorb knowledge and grow. As the growth and prosperity of the fine art industry is dependent on addressing systemic imperfections and the flow of knowledge within the system this study's focus is on knowledge linkages and interdependencies between actors in its networks. This cluster framework overcomes some of the limitations of traditional sectoral analysis.

The significance of this study is considerable in that there has not been any analysis of the effects on a cluster of the long-term dislocation and subsequent re-entry of the major player with the cluster. This significance stems from an examination of dislocation on the entrepreneurial behaviour of the rest of the cluster, the nature of the product or service – a broad-based product that encompasses the continuum of mass tourism to cultural appreciation, and the longitudinal approach taken in the research.

Although the effects of failure of a member on subsequent cluster functioning have been well studied (Kazakevich et al., 2002; Rosenfeld, 1997), there has not been any analysis of the effects on a cluster of the long-term dislocation and subsequent re-entry of the major player within the cluster. Secondly, the cluster has a different dynamic from other clusters in that the main player derives its power from its expertise, trust and legitimacy – its reputation. There is a focus on the intangible values of the product and its peripheral services, rather than its control through product. Further, a comprehensive literature search identified limitations into research of how clustering operates within the fine art business domain. Limitations consist of the confusion of the fine arts and its broader arts, culture and creative industries (ABS, 2009a; Cooke & Lazzeretti, 2008; DCITA, 2002; Standbridge, 2002). While others have researched and applied clusters as tools for economic development within the broader creative industry, creative economy, culture and design sector (Bagwell, 2008; Michael, 2007, 2002; DCITA, 2004; Ninan, 2004; Rosenfeld, 2003b; Nachum & Keeble, 1999) – few have paid attention to the fine arts (Bagdadi, 2001) – an essential part of these industries, economies or sectors.

This longitudinal study analyses the nature of the market place as well as the interactions and relationships between players. The impact on this market or cluster is then observed and compared over time. These investigations will not only help illuminate changes in the relationship between the *NGV* and the SMEs that form the rest of the cluster, but will examine the nature of the adaptive process to a major change in market conditions. The question of whether and how disruption of activities by the *NGV* will affect activities within the fine art cluster in the long-term, and not just the short-term, is important. This will lead to a better understanding of how businesses in Melbourne (and Victoria generally) within the fine art domain inter-relate through clustering. The challenge of the research is to observe and compare innovative activities of the fine art cluster, before, during and after the change – a situation that typically presents entrepreneurial challenges to existing players and potential entrants.

The contribution of the longitudinal data will show that change in the absence of a key player can be positive but that policy needs to be revised if it is demonstrated that the cluster is crowded-out or suppressed by the lead firm. Such cluster vulnerability would suggest the need for policy to focus on the organic growth and development of the cluster while encouraging the free flow of knowledge.

In this chapter the foundation for the discussion of the cluster phenomenon is from a systems approach which includes cluster dynamics, system characteristics and interdependencies (OECD, 1999a). This perspective helps in this study's understanding of innovation and change and its effect on the dynamics of knowledge based and learning economies such as Victoria's fine art cluster. This innovation systems approach offers two essential dimensions within its framework. First, the 'systemic character' reflects the cultural and absorptive capacity of the system in addition to describing a cluster's industrial organisation. This introduces the argument that while key institutions are important in the innovation process – it is crucial that they are institutionally embedded within the system. Second, the 'networking and interdependency' dimension focuses in the activity and behaviour of the cluster. It outlines the interaction between different actors in the innovation process including between users and producers; businesses, industries and the wider research community – all critical elements in knowledge transfer and successful innovation. The unifying thread is the perception that innovation, and the technological and organisational changes associated with it, are the key drivers of long-run economic growth. The analysis highlights the importance of longitudinal research on clusters as it is probable that the activity and behaviour of the cluster would change over time. It also highlights the cultural and absorptive capacity of a cluster may see change as it adapts to the additional opportunities in the absence of the key player.

The impact of the *NGV's* temporary disruption on cluster configuration and the associated network of interaction, innovation and system behaviour will be compared and analysed over two time-frames and three stages of transition examining:

- perceptions of cluster dynamics during dislocation of the *NGV* (2000);
- perceptions of cluster dynamics 18 months after re-entry of the *NGV* (2005);
- retrospective perceptions of cluster dynamics prior to, and during dislocation.

The effects of change in the cluster caused by the dislocation of the *NGV* are examined through two conceptual lenses; a competitive lens based on a neo-classical view of inter-firm behaviour, (Dowd, 2006; Danson & Whittam, 2001; Coase, 1991;

Williamson, 1979), and a cooperative networking lens based on a modified alliance capitalism view (Gordon & McCann, 2000; Best, 2001, OECD 1999a; Dunning, 1997). Operating in an atomised (Dowd, 2006) and asymmetric market where firms work in isolation, contrasts with the alliance capitalism concept where embedded depictions suggest a collective system. This helps to explain cluster behaviour and offers insight into the role, activities and perceptions of the key player in terms of being a collaborator or a 'silo' structure (Ffowcs-Williams, 2010; DCITA, 2004; Ninan, 2004) showing little evidence of spontaneous collaboration.

The research will add to the understanding of this area by studying the ways fine art businesses interact by direct reference to the literature on clustering. When disseminated, the findings should assist fine art, cultural and government policy bodies to think in new ways about how they operate and the policies that they develop. The outcome of this study will be useful as a guide to action, in the future restructuring of contributing players within the cluster.

The significance of the research is that it links the theoretical frameworks with practical needs to suggest how systemic imperfections and policy-making in cluster dynamics can be evaluated and improved. This theoretical contribution is illustrated in Figure 1.2.

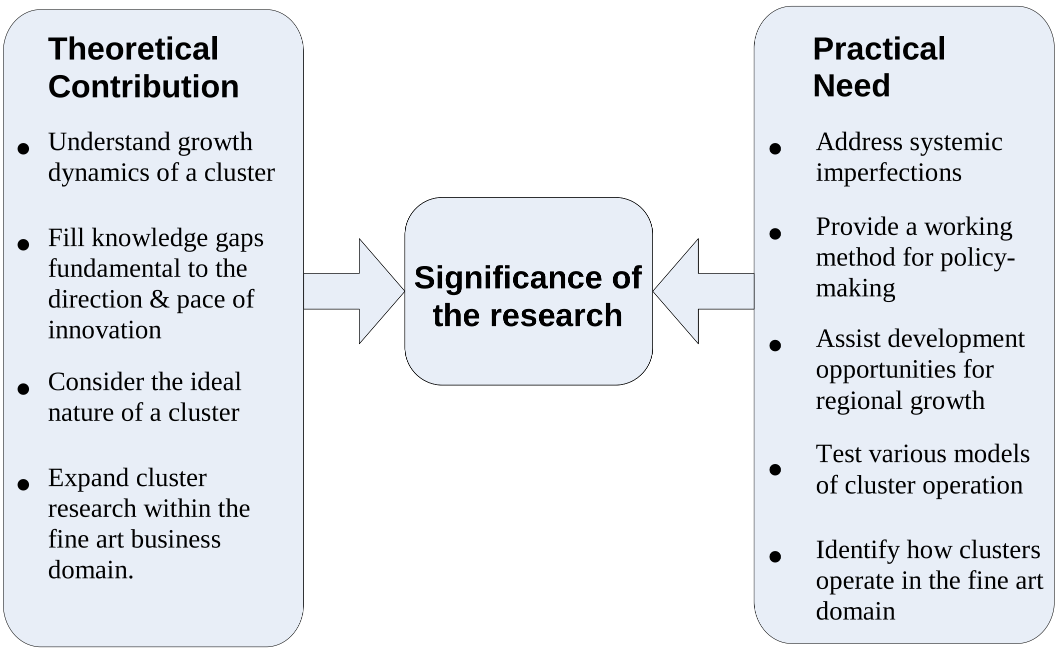


Figure 1.2 Significance of the research

In describing methods for classifying types of clusters, this thesis indicated that clusters are part of an evolutionary process. Cluster life cycles and the notion of evolving clusters is a key concept within this study which views the Victorian fine art cluster as a mature cluster looking toward a sustainable growth strategy. It is this perspective that enables the cluster to be recognised at a range of development levels. This in turn has implications for the identification and description of a cluster during the process of change and the capacity for comparison.

Current understanding within the field suggests that clusters are a dynamic and knowledge-based resource. In further exploring this issue in this thesis particular attention is drawn to the development of a framework that can be applied to a cluster with identified relationships formed around a central actor. This discussion therefore provides an opportunity to identify and compare the innovation and system behaviour of the cluster from a multiple time-frame perspective – an important criteria in the investigation of this longitudinal study.

1.5 Thesis Outline

The presentation of this thesis is divided over six chapters, represented in Figure 1.3.

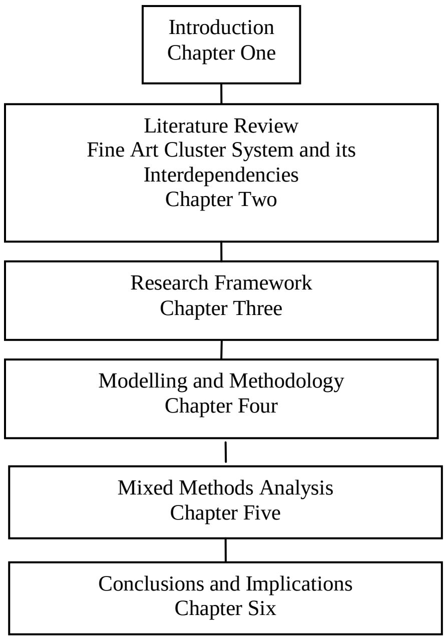


Figure 1.3 Structure of the thesis

The literature review in chapter two provides the following structural reading of the published work relevant to the research question:

- a backdrop for the study which offers insight into the dynamics and distinctive character of the Victorian fine art cluster, its interactions and interdependencies within the regional and industrial cluster context. A visual schematic is introduced to illustrate components of the cluster, its relationships with neighbouring cluster networks while highlighting the importance of demand as a knowledge source;

- a macro-level analysis of how industry groups constitute the broader economic structure of cluster. It introduces a number of possible explanations for the phenomenon of clustering, and the entrepreneurial behaviour that causes their development. A definition of a cluster is provided along with the different interpretations and models associated with them; it details the cluster life cycle and approaches to identify and describe different development levels and cluster types. The schematic diagram is developed within the theoretical construct of current cluster thinking. It also provides a basis for the adoption of clusters as an analysis framework and introduces various theories to help explain competitive dynamics and behaviour;

- support for the notion of that a cluster is a networking system that can benefit from extra-cluster interaction. This section investigates the hybridised competitive dynamics between the fine arts and neighbouring clusters and highlights the importance of cooperation and competition (and a combination of the two) on innovative activity and regional growth;

- a micro-level focus of inter-firm linkages and relationships offers an overview of cluster dynamics from a systems approach and the capacity of an industry to innovate and upgrade. This section integrates the logic that the cluster's location and structure play an integral part in the cluster's systemic character, its networking capacity and interdependency.

In chapter three there is a development of an analysis schedule to help organise the study's direction and guide its methodology. It builds on the viewpoints identified in the literature review and uses them as an analytical lens to help understand the cluster's intricacies, dynamics and level of embeddedness. The chapter explains this framework which is applied with the objective of describing the most suitable way to identify the effect of a lead firm's dislocation.

The objective of Chapter Four is to describe the research process that has been considered to be suitable to identify the effect of a lead firm's dislocation on the fine art cluster system. It discusses the choice of the methodological tools, and outlines their validity and reliability in terms of the investigation. Data collection methods and triangulation are discussed, as is the foundation of enquiry and reasoning behind the use of retrospective surveys and interviews. The research design involves a longitudinal study within a mainly phenomenological paradigm and includes a mixed methods approach with both qualitative and quantitative analysis processes.

The analysis of this study's mixed method approach is undertaken in chapter five. This combination of both qualitative and quantitative methodology allowed the range of data gathered in this study to be analysed and reported. This mixed method approach maximised the data's usefulness as it utilised the themes identified in the quantitative analysis to discuss the qualitative data gained through in-depth interviews. In a bid to understand change, interpretation of interviewee responses included longitudinal, real-time and retrospective analysis of three situations. These circumstances comprised: an exhibition program instigated by the *NGV*; a State Government incentive that was directed at the local fine art supply networks; a single case of one entrepreneurial firm observed over time. This approach allowed data to be readily combined and to maximise reliable and valid outcomes. The objective of this chapter is to reflect on the effect of a lead firm's dislocation with its focus on the interactions and inter-relationships between players.

The investigation's conclusions are discussed in chapter six, where the broader implications of a key players' influence on the innovation, system behaviour and dynamism of a cluster are measured. It considers the repercussions of the key player's absence from the system, the extent and permanency of innovative activity during a period of change. The structure of the cluster and particularly the behaviour that a dominant player induces is considered in terms of the ideal nature of a cluster.

Chapter Two Literature Review: Fine Art Cluster System and its Independencies

2.1 Introduction

The visual art and craft sector is the nucleus of the fine arts. Defined as the non-literary visual forms of creative expression for artistic and aesthetic purposes (ABS, 2001c) the fine art industry includes its production, distribution and display as well as its consumption. Its range of complex interactions, organisational structures and functions however, ensure that the edges between this narrow industry (DCITA, 2002; Bagdadli, 2001) are interdependent and at times converge with its neighbouring arts, cultural heritage and tourism sectors.

As a mature cluster experiencing a new cycle of rejuvenation, the Victorian fine art industry has traditionally modelled itself around a non-profit, government subsidised, high-art-focussed production company. This contrasts with the contemporary cultural enterprise (Glover, 2001) which may be profit-seeking, having a complex interdependency with both the subsidised and non-subsidised sectors. This incorporates the interface between economics, politics and social aspects of development – while being centred on the predominance of services and cultural content. Such a multidiscipline model (UN, 2008, p.3) is central to the fact that 'creativity, knowledge and access to information are … powerful engines driving economic growth and promoting development' and a region's cultural capacity. The creation of cultural experiences has become central to regional development with the fine arts and culture often acting as a catalyst in the broader growth strategy of a region and its urban development (Scott, 2006c). The notion of art museums as centres for learning (Vaughan, 2009a) and nodes for knowledge creation, storage and transfer (Richards, 2001) echoes this important function.

The Victorian fine art cluster has its own systemic character and is atypical in nature compared to that of traditional market driven industries,. Its locally-embedded idea generators and production systems operate within both the public and commercial domains, while its governance structure formally establishes the leadership function of the ‘hub’ firm (Arikan, 2009; TCI, 2008; Lampel, Shamsie & Lant, 2006a; Wu, 2005; Rosenfeld, 2001). This vertically integrated relationship system not only ensures that other cluster members rely on the lead firm but that its position is largely determined and influenced by the *NGV* and the strategic approaches that it employs. Strategies can range from competition oriented to cooperation oriented (Arikan, 2009: Dowd, 2006; Gordon & McCann, 2000).

Reflecting the atypical nature of the fine art cluster, the concept of competition has social as well as profit driven motives. Hence, competition is determined by the level of community involvement, visitation as well as funding, media coverage and sales. Competing for artworks and pre-packaged exhibitions is also peculiar to the fine art and cultural domain.

The following discussion reveals the boundaries of the fine art industry and illustrates the structural dynamics of the cluster. It shows how the cluster is placed in context to its neighbours and how edges are often blurred (DCITA, 2002) due to the process of knowledge sharing and information exchange. The cluster's configuration and inter-relationships provide a context for this study and how a key player may affect cluster functioning and its ability to become a mutually reinforcing system. The discourse provides insight into a competitive industry while also emphasising the strong social networks and government intervention in terms of policy and strategic direction. It also draws attention to the pivotal role these knowledge based communities play in regional development.

This literature review is separated into four sections. This first section establishes the fine arts distinctive characteristics, its industrial organisation and introduces the Victorian fine art cluster’s internal dynamics. It orients the discussion by adapting the Australian Bureau of Statistics (2001c) definition of the visual art and crafts sector and its broader cultural and creative industries with the radiation process identified by KEA European Affairs (2006). This adaptation reinforces the visual art and crafts' central position within an evolving interactive and interdependent group of related industries. The Department of Communications, Information Technology and the Arts (DCITA) reinforces that the industry sector is not static but a dynamic knowledge based resource. This section draws attention to this knowledge based community and its strong social network. This discussion lays the foundation for the chapter and its emphasis on knowledge flow as the key to the process of innovation and regional development.

2.1.1 Approach

A successful cluster is built on the internal dynamics of the firms within them (Sölvell, 2009; RTS Inc., 2009; Scott, 2006c; OECD, 2005; Nachum & Keeble, 1999; Enright, 1996). The dynamics of a local network of businesses – such as the Victorian fine art cluster – is reflected by its systemic character and can be appreciated in terms of knowledge flow and diffusion of ideas (APD, 2001; OECD, 1999a). This in turn determines the direction and pace of innovation and its potential.

Despite its narrow scope and its reliant and interdependent nature (DEWHA, 2009; ABS, 2008e) the fine art industry encompasses a range of interconnections. The initial section of this chapter endeavours to define and differentiate between these networks while highlighting the industry's governance structure and interactions. Recognition of its actors and their status is important in understanding the processes of collaborative behaviour, innovative activity, competitive dynamics (Porter, 1998a) and the scope for knowledge transfer. Providing this context for research will realise the territorial extent as well as the complementary and dissimilar network positions of the key strategic groups. This sets the scene for this study's investigation of relationships and understanding of the cluster's ability to adapt under conditions of change.

2.1.2 Industry Boundaries – A Radiation Process

The fine art industry encompasses the visual art and craft sector, its linkages and support networks. It consists of the creative work by visual art and craft practitioners and the institutions and organisations that support their practice. Adapted from the Australian Government's Department of Communications, Information Technology and the Arts (DCITA 2002) definition, the notion of a support network helps to identify fine art actors as a group. This is consistent with Rosenfeld's (2002b, p.8) view of a cluster as a 'systemic concentration of enterprises with common or complementary business interests'. Hence, by expanding the scope of the visual art and craft sector, the boundaries of the fine art industry network, systemic character and interdependencies becomes more obvious.

The visual arts and crafts have distinctive features (UN, 2008). Creative works can be mass produced – reflecting industrial-scale production – but must be prototypes and distinguished with sufficient artistic content (ABS, 2008d; KEA European Affairs, 2006; Lampel, Shamsie & Lant, 2006b). Despite the creation and production of art being a necessary function of the fine arts, the industry itself is classified within Australia's service based economy (ABS, 2006c). The inclusion of craft (ABS, 2008d, 2001c) is considerable due to its economic and social-political importance and relevance to product development. The increased attention in indigenous craft reflects its significance and capacity to strengthen demand both in Australia and offshore.

The broader network of 'the arts' incorporates all aspects of the fine arts (ABS, 2008d). Included within this classification are educational institutions, government organisations for infrastructure and management (of buildings, funding and indemnity), sponsors, practitioners as well as professionals in art evaluation, criticism and research (ABS, 2005). Hence, education within the fine arts falls under the broader 'arts' classification umbrella as do commercial art museums and galleries (ABS, 2008c). Education in the fine arts offers a choice of theoretic studies (art history and appreciation) or practical training as well as supplying venues for events and exhibitions (DCITA, 2002; ABS, 2001c).

Classified as non-industrial (KEA European Affairs, 2006, p.2), the arts are characterised as 'non-reproducible goods and services aimed at being consumed on the spot'– an example being an art fair, exhibition or concert. This context has established the arts within the 'experience' based service industry framework (Lampel, Shamsie & Lant, 2006c; McGuire, 1999; Gabbott & Hogg, 1997; Zeithaml & Bitner 1996; Bateson, 1992) and its consequent industry classification within Australia's 'culture and leisure' service economy (ABS, 2008c).

The broader cultural industry is complemented and augmented by 'the arts' (Standbridge, 2002) with the addition of 'heritage' (ABS, 2008d). This is an important element as it provides for the onsite consumption of experiences in the form of museum exhibitions. It is particularly important for cultural tourism (Hollick, 2008; KEA European Affairs, 2006; Heaney & Salma, 2003; Rosenfeld, 2003b; Australian Government, 1994) and the interdependency between culture and leisure. The onsite and inseparable service delivery sees simultaneous production (for example an exhibition) and consumption (the viewing of an exhibition). This experience also includes industrial elements (KEA European Affairs, 2006, p.44) of 'cultural products aimed at mass reproduction, mass-dissemination and exports' for example a major art exhibition that tours both national and international circuits. Consequently the definition of 'the arts' includes high art as well as popularised mass culture.

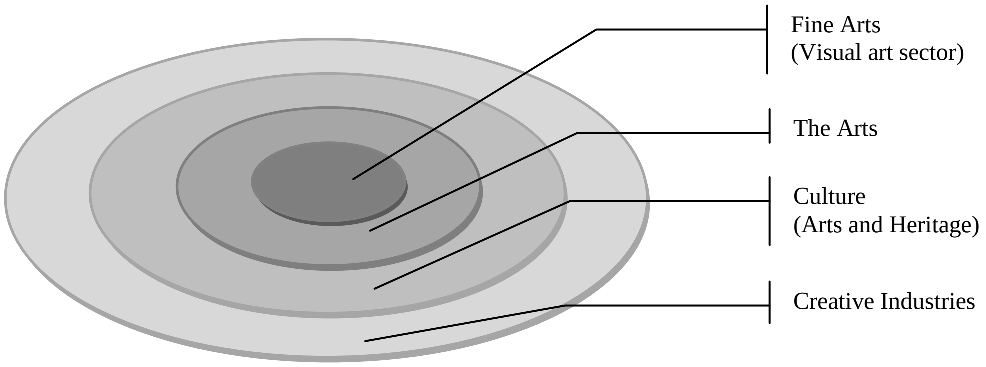
Cultural enterprises are highly dependent upon each other's proximity (Bonink & Hitters, 2001). Co-location provides competitive advantage through creative exchange and networking that can play an important role in innovation. The cumulative nature of innovative activity therefore creates a clear, self-reinforcing advantage for firms which locate in areas that are abundant in knowledge resources. This is especially relevant in inner-city cultural precincts.

The more recent term 'creative industries' (European Commission, 2010; UN, 2008; Creative Clusters, 2008; Bagwell, 2008; CCI, 2006; KEA European Affairs, 2006; DCMS, 2006; Wu, 2005; Cunningham, 2004; DCITA, 2004, 2002; Australian Labour Party, 2001) suggest a further elaboration. Creative industries have become central assets of the contemporary urban economy, its social fabric and have a strong tendency toward clustering and connection to place, as is commented by Bonink & Hitters (2001, p.228):

> They operate through specific spatial logic … (and) strongly linked to the mutual dependency of culture and the city ... (They are) highly dependent upon each other's proximity … this provides them with competitive advantages through creative exchange and networking ... This explains why specifically urban renewal areas in inner-cities have provided the opportunities for such spatially concentrated industries to develop and for these new collaborations to emerge.

Innovative urban renewal projects (Bonink & Hitters, 2001), such as Melbourne's Federation Square and Brisbane's new river precinct adjacent to the *Gallery of Modern Art (GoMA)* provide opportunities for 'creative industries' by developing new forms of collaboration between creativity, commerce and community. On the other hand, a city's attractiveness to cultural consumers (host community, visitors as well as investors) ensures creative industries are connected to an increasingly global network economy. This has consequent outcomes for policy-makers in regional development and promotion of a city and its regions (European Commission, 2010; Florida, 2005, 2004, 2002; Rosenfeld, 2005, 2003b; Flew, 2002; Standridge, 2002). Hence, the concept of creative industries provides a new understanding of the role of art and culture in a 'knowledge-based economy' and in regional development.

Distinguishing the narrow fine art sector from its broader cultural and creative domains is an important initial step in understanding the unique qualities and systemic character of the fine art industry and how this grouping of firms may interact and behave under conditions of change. Figure 2.1 illustrates the economy of culture as a 'radiation process' centred on the locus of creative ideas and radiating outwards (KEA European Affairs, 2006). These defined sectors move from the centre to the broader cultural and creative industries – much like the ripple effect of a stone thrown into water, where each outer ring is a composite of its predecessor. The nucleus consists of the fine art industry (the visual art and craft sector).



Adapted from KEA European Affairs (2006) and ABS (2001c).

Figure 2.1 Radiation process of art, culture and creative industries

This radiation model is beneficial in that it offers a visual image of the scope and relationships of the fine arts and associated industry sectors. It also reinforces that the focus of this study is on the network of industries radiating from the fine art nucleus while reinforcing the inclusive nature of the broader arts, cultural and creative industries. This helps to illustrate the overall complementary nature, connectivity and the synergy between sectors.

2.1.3 Delineation of Industry Sectors

Establishing the distinctive characteristics of an industry offers an opportunity to ascertain the interdependent nature of a network and its boundaries. However, rigid definitions are not realistic in terms of distinguishing sectors where boundaries are continually evolving and shifting as knowledge is shared and practices exchanged. The Australian Government inquiry into the visual art and craft sector (DCITA, 2002, p. 26) reiterates:

> … a range of complex interactions and dependencies, both financial and non-financial, run through the sector … a broad, diverse range of practices and organisational structures and functions exist … edges are often blurred and overlapping; and the relationships are both complex and fluid.

The fine art industry incorporates the management of sites and collections. Its inclusion is critical for the fine arts' growth and its market development strategies as it has significant drawing power for a region or a venue (KEA European Affairs, 2006; Weaver & Lawton, 2006; Novelli, 2005; Leiper, 2004; Hughes, 2000; Judd & Fainstein, 1999; Giblin, 1995). It can drive cultural tourism (including business tourism), be an additional incentive for VFR (visiting friends and relatives) and leisure travellers or act as a 'soft location factor' (Eickelpasch, Lejpras & Stephan, 2007, p.1) for other businesses to settle within the region. Appendix A defines and illustrates the overlap between the sectors that make up the fine art industry and the adjoining tourism sector. This reinforces the notion that boundaries are blurred and that interconnectivity is critical to the cluster's functioning.

2.1.4 The Australian Fine Art Industry

Australia's fine art industry comprises around 20,000 visual art and craft practitioners as well as curators, art writers and hundreds of organisations ranging from small artist-run initiatives to the major regional art museums (DCITA, 2002). Incorporating both public and private sectors (see Table 2.1) these fine art enterprises range from micro through to small to medium (SMEs), with a minority of larger government bodies, art museums and industry development agencies making up the remainder. The DCITA (2002) estimates the value added by this industry sector to GDP was approximately $160 million in 1999-2000. This input together with the fine art's inherent social structure contributes to the industry's strength.

Table 2.1 Participants of the fine art cluster

Public sector	Private enterprise
Public art museums and galleries Education Centres in the creative arts Government • policymaking entities, • infrastructure, support programs and entities • marketing and funding bodies • industry development organisations	Commercial enterprises • commercial galleries • auction houses • production houses Industry Development Organisations • industry associations

Source: McCulloch, A., McCulloch, S. & McCulloch Childs (2006); Scott (2006c); DCITA (2002)

The fine art industry’s broad-based product encompasses the continuum of mass tourism through to cultural appreciation. Its distribution channels therefore seek to reach and influence both large audiences as well as small niche markets. A unique aspect of this demand sector is that it can be an important source of knowledge – with critics and cognoscenti playing a key role as leaders in information transfer. The relationship between the supplier and end-user is therefore multi-directional.

The interdependent relationships and networks described in the national fine art scene are also reflected in the geographic region of Australia’s southern state of Victoria. Yet despite the similar governance structure and socio-economic influences, there are significant differences between the nation’s industrial and regional clusters. To clarify and understand the regional fine art network, a schematic map has been developed and illustrated in Figure 2.2.

This configuration’s core is placed in context to its neighbouring culture, recreation and leisure clusters – illustrating that its central actors are not isolated. Instead, external linkages and their interdependencies highlight the connectivity of the theoretical framework of clusters (Scott, 2006c; Rosenfeld, 2001, 1997; OECD, 1999a; Nachum et al., 1999)

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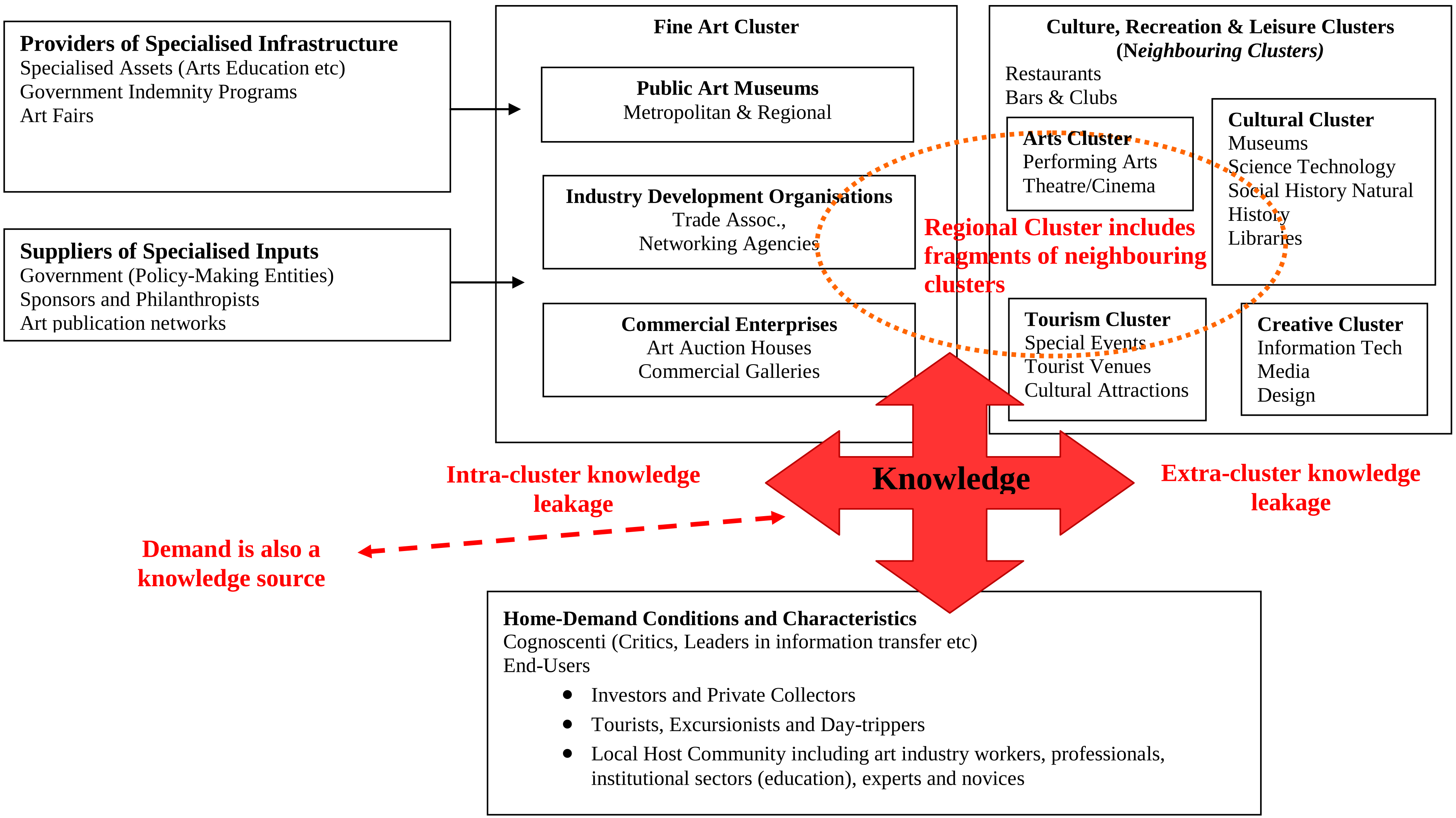


Figure 2.2 **Schematic map – fine art cluster's network of relationships**

As core entities within the network, a fine art museum's role and entrepreneurial leadership style (Rentschler & Geursen, 2003, Rentschler, 2002; Lampel et al., 2006a; Burton, 2003; Ahuja & Lampert, 2001) can have significant influence on the cluster's internal dynamics. They can also be instrumental in a cluster's capacity to collaborate and share knowledge by enhancing (or diminishing) interactions between firms and other clusters. A public art museum (McCulloch et al., 2006, p. 1082) is made up of:

> National, state, regional, university, college and municipal galleries, and public galleries created through the benefactions of private individuals.

While Museums Australia (2006c) confirms the goals and purpose of a museum and its value from a demand perspective, McCulloch et al., (2006) emphasise the value of supply – the input of its benefactors. This support network adds a unique dimension to the fine art and cultural industries – one rarely seen outside this sphere. This interaction can be mutually advantageous and self-reinforcing and can lead to a sustained commitment to the industry while reinforcing strong 'home-demand conditions' (Porter, 1998a). These supply and demand characteristics are a point of distinction among competitors while also acting as a significant knowledge resource (Craik, 2007; NGV, 2007; Lampel et al., 2006b; Shmith, 2002; Kotler & Kotler, 1998). Figure 2.2 illustrates this two-way relationship as knowledge moves in and out of the regional cluster.

Public art museums have specific regional responsibilities and can play an influential role in the cluster's internal dynamics within their geographic boundaries. To illustrate this point the following discussion compares two lead firms – the *National Gallery of Australia* (the premier art museum and nucleus of the nation's industrial fine art cluster), and the *NGV* (a dominant player in Victoria as well as a powerful figure in the national landscape).

The *National Gallery of Australia*'s vision is to 'complement not compete with the state collections' (Radford, 2005, p. 9). This concept utilises the notion of value creation (a cooperative process) and capturing value (which is inherently competitive) (Brandenberger & Nalebuff, 1996a, 1996b) while recognising:

- interdependence – aligning with other firms, customers and supply networks with the view of new collaborations;
- complementarity – synergy between players who cooperate to produce complementary or related products (Scott, 2006c; Healy & Jackson, 2002);
- self-organisation – a policy structure that cooperatively organises favourable conditions in knowledge creation and knowledge use (Thompson, 2006; Larosse, Slaets & Wauters, 2005).

The *NGA*'s commitment to 'help smaller art museums' (Radford, 2005, p. 30) by creating partnerships to exhibit works 'of their nationally significant local artists' is evidence of its entrepreneurial leadership style and effort in directing 'co-opetition' (Brandenberger & Nalebuff, 2002, 1996a).

In contrast, as Victoria's 'cultural flagship' and home to 'Australia's finest art collection' the *NGV*'s (2008c, p. 5) vision is directed toward being 'recognised as one of the leading art museums of the world'. The *Gallery* – and its collection – has a competitive advantage over many of its national counterparts. The ABS (2002a) notes:

> In many cases, State … art museums were established many years before their national counterparts … as a result, a number of notable national collections (such as *NGV*) are housed in museums operated by or through State Governments, rather than in the national institutions.

So while Victoria's public art museum had its early beginnings as the 'national' collection – as reflected by its name – it is not in fact the national collection. However, its specialised assets and factor conditions set the scene for the city's long cultural relationship with the fine art industry, its support network together with a committed and influential patronage.

2.1.5 The Victorian Fine Art Industry

The *NGV* is the largest organisation within the Victorian fine art cluster. With an excess of 200 employees (NGV, 2008c; McCulloch et al., 2006) it plays a central role in terms of its leadership function and as a major public attraction. It is also one of the key 'cultural agencies' (Arts Victoria, 2008) to receive government funding from more than $AUS1billion invested in Melbourne's art and cultural facilities. The *NGV*'s construction and re-entry has greatly enhanced Melbourne's inner-city amenities, complementing its concentration of commercial galleries and arts -entertainment precincts.

Most Victorian art museums and public galleries have some experience of redevelopment, physical expansion or relocation. New firm formation has also built on the State's changed internal dynamic. Such extensive growth is in contrast to New South Wales with only two public museums being physically expanded. This investment and its associated technological and organisational upgrades have been well placed in driving long-run economic growth (ABS, 2002b). This has meant that Victoria's State public galleries have reached a 'higher level of innovation and professionalism' (McCulloch et al., 2006, p. 1083) and led to increased activity in the sector.

As providers of education and public gallery space, universities and colleges also help develop the breadth and depth of the cluster across metropolitan and regional districts. Victoria's education centres account for over twenty gallery and art space sites including about twelve in Melbourne's inner-city, five in outer- metropolitan regions and four in regional Victoria (McCulloch, J. 2008). Art centres, libraries and city councils also exhibit permanent collections as well as offering access for staging both local community and travelling exhibitions. In terms of private SMEs, almost 190 commercial galleries and art spaces have been identified in Victoria in 2008 (McCulloch J. 2008 and 2005; McCulloch, A., McCulloch, S., & McCulloch Childs, E. 2006; Reid 2005); with concentrations of activity in the inner-city and outer-metropolitan Melbourne (about 150) and regional Victoria having the remainder (about 40). A review of the number of public and private SMEs listed in art directories and gallery guides identifies that the number of firms in Victoria has increased significantly over the past decade (McCulloch et al., 2006; Meakin & Reid 2005; McCulloch, J. 2008, 2005, 2004, 2003). The size of the Victorian cluster, its growth over the three transition phases, as well as geographic distribution of players is detailed in Appendix B. While the number of businesses identified is not definitive, this list does provide an understanding of the scale and critical mass of the cluster over time.

All three levels of Government (National, State and Local) work toward supporting and sustaining the fine art industry (ABS, 2008d; McCulloch et al., 2006; DCITA, 2002). Together, these tiers:

(i) supply and support infrastructure;

(ii) direct industry through policy;

(iii) encourage industry networks.

While nearly all of the *NGV* collections represent private philanthropy (NGV Foundation, 2008), it is the government which are the key funding bodies for capital works, indemnity and recurrent expenditure. Government also play an integral research producing and information providing role critical for the upgrading of competitive advantage. The 2007 (Arts Victoria, 2009) initiative to develop a State indemnity scheme (traditionally a national program undertaken by *Art Exhibitions Australia Ltd*) has offered such an opportunity for competitive advantage. This occasion has also ensured closer and more direct links between the *NGV* and the Victorian Government. This positions the lead firm strategically – in terms of its power and influence – strengthening its legitimacy within the system and how it may influence the actions of other actors (Lampel & Honig, 2006; Scott, 2006c; Grattan, 2002; Porter, 1998a).

As an Australian government incentive, *Art Exhibitions Australia Ltd (AEA)* supports global diplomatic and business networks. Working in partnership with accredited museums, its expertise, reputation and indemnity have been crucial in product development and market penetration strategies. This has seen the creation and growth of 'pre-packaged' loan exhibitions such as the '*Melbourne Winter Masterpieces' (MWM)* series of exhibitions held annually at the *NGV*. Such industry development organisations (Porter, 1998a) are important in transforming the competitive environment. Its contribution is recognised by the *NGV* (2007, p. 7), which explicitly stated:

> We thank *AEA* for their great contribution during our first three years developing the *MWM* model. We can now continue independently through the State Government's new Victorian State Indemnity Scheme, which has been provided to support the *MWM* program.

As part of the State's Major Events Strategy (Arts Victoria, 2008; Vaughan, 2008a; Gill, 2007) and as a valuable branding exercise for the region, the staging and promotion of the *MWM* series has been extended beyond the *NGV* to include cultural agencies in neighbouring clusters. This 'arts-tourism collaboration' (Strickland, 2006c, p. 49) demonstrates how Government strategies can support the development of community partnerships and interactivity.

Critics argue that the 'pre-packaged' nature of these loan exhibitions mean knowledge transference is limited and may not enhance the internal capabilities of the art museum (Stickland, 2006b; Bond, 2006; Radford, 2005). Advocates, on the other hand, contend that these major art exhibitions (MAEs) keep the public interested as well as the media's attention while also providing a focal point for *Gallery* public programs (Coslovich, 2007a; Radford, 2005). The advantage is that while the interaction between suppliers and supporting industries (such as government bodies, tourism and sponsors) is mutually advantageous and self-reinforcing, the disadvantage is that it can consume a great deal of resources necessitating more government support for the system to function. In such prominent industries as the fine art and cultural industries this can play a key role in distorting competition and 'reinforcing static efficiency' (Porter, 1998a, p. 176).

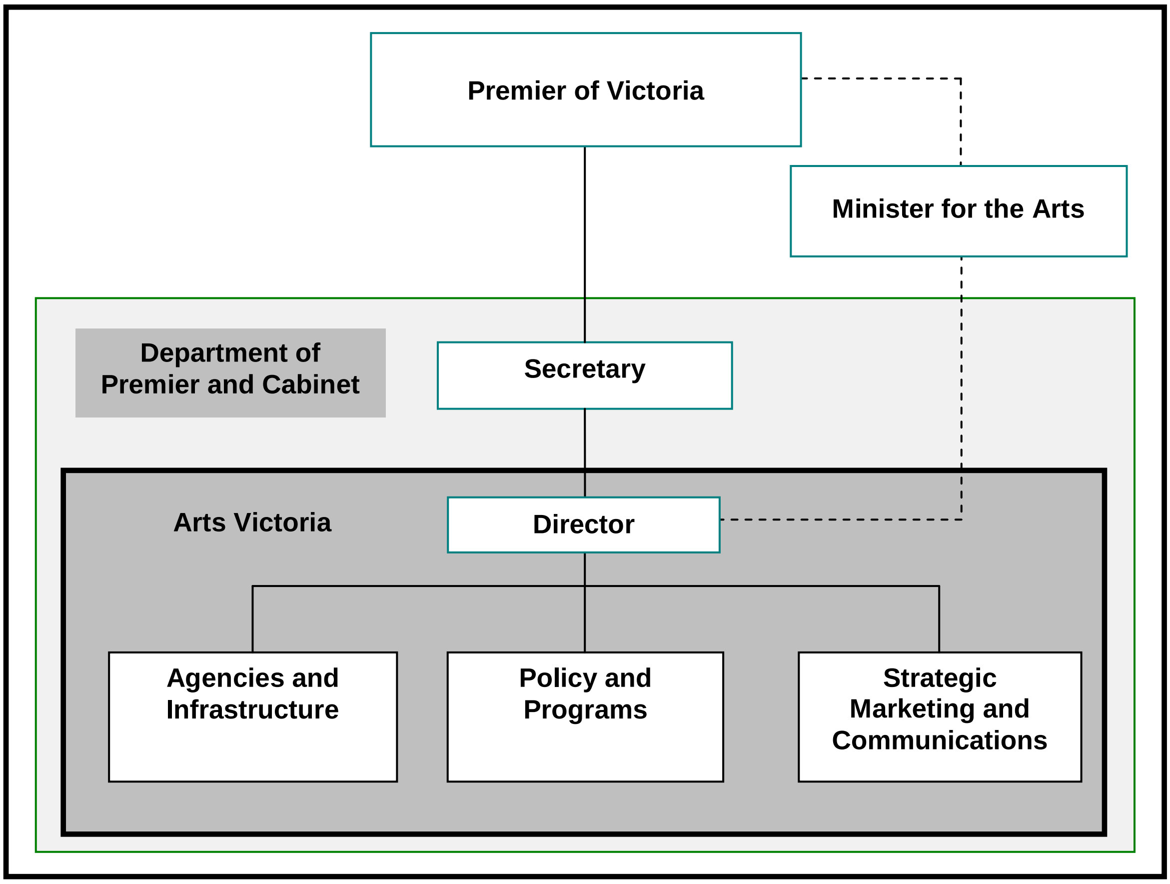
Policy-making is an integral part of the government's role and its capacity to encourage collaborative and cooperative interactivity.   Tax incentives, for instance, encourage gifting from private collections to public art museums which can play a significant role in firms' connectivity with its home-base market (Porter, 1998a) and likelihood of cooperative strategies.

The Government's key national body – the Australia Council – works toward facilitating policy and partnerships between artists, governments and business while also acting as the arts funding and advisory body. The Australia Council (2009):

- conducts arts research;
- develops policy;
- advises governments and industry on issues affecting Australian artists.

In contrast, the state and territory arts organisations advise and implement arts policy within its boundaries and from a regional projects perspective (ABS, 2005). Within Victoria this role falls under the jurisdiction of Arts Victoria (2008) which also oversee the eight state-owned cultural 'agencies'- including the *NGV*. Figure 2.3 illustrates its governance structure and relationship with the State Government.

This organisational chart shows the vertical links between the State Government, Arts Victoria and its eight agencies that include a mixed group of fine art, arts and cultural institutions. Seven of the eight agencies are co-located in Melbourne's inner-city. This structure establishes each agency as an anchor firm or 'hub' (Arikan, 2009; TCI, 2008; Lampel et al., 2006a; Wu, 2005; Rosenfeld, 2001; Lagendijk & Charles, 1999; Staber, Schaefer & Sharma, 1996) that represents its sector. This industrial organisation formally establishes the *NGV*'s leadership function within the regional fine art cluster and as the dominant coordinating mechanism for inter-firm knowledge exchange.



Source: Arts Victoria (2008)

Figure 2.3 Arts Victoria's organisational chart

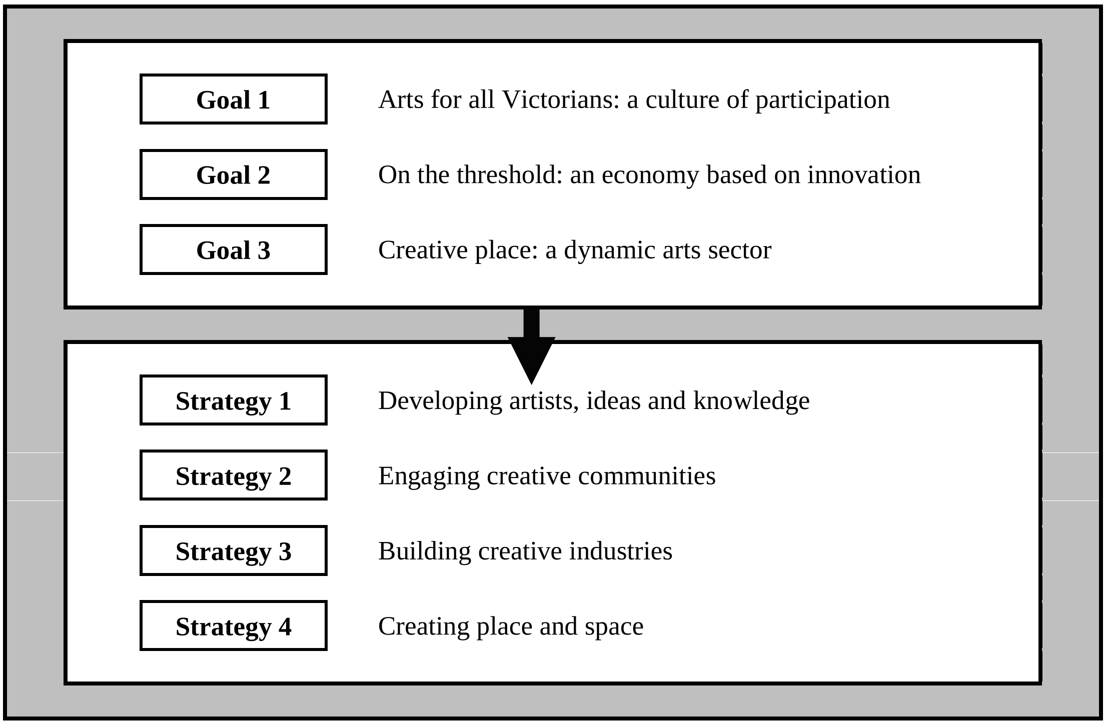
The State Government's vertically integrated relationship system not only ensures that other cluster members rely on the lead firm but that their position is largely determined and influenced by the agency and the strategies that it employs. Such governance mechanisms can develop cooperation and opportunities for inter-firm knowledge exchange (Arikan, 2009; Dhanaraj & Parkhe, 2006; Chaudhri & Samson, 2000). Arts Victoria (2003a, p. 1) argues that the structure:

> … encourages cooperation and supports the leadership function of its agencies, establishes governance standards and ensures that these cultural agencies' strategic direction is in line with Government policy.

Lead firm strategies can range from competition to cooperation oriented (Arikan, 2009; Dowd, 2006; Gordon & McCann, 2000). Such cluster-specific governing bodies help give a cluster an identity, but more important, and as Rosenfeld (2001, p.15) has stated:

> … it creates a structure for identifying common needs, developing a collective vision, and building business and learning relationships.

Arts Victoria's (2008, 2003b) ten year policy positions arts and culture at the centre of the State's vision. It identifies three major goals based on social, economic and cultural development and its commitment to secure a dynamic creative sector and its potential as a knowledge economy. Figure 2.4 illustrates the State Government's policy framework.



Source: Arts Victoria (2008, 2003b)

Figure 2.4 Victorian Government policy framework – arts and culture

The Government's industry development organisations play an influential networking role and can act as boundary spanners (Rosenkopf & Nerkar, 2001; Liebeskind, Oliver, Zucker & Brewer, 1996; Conway, 1995; Bowen & Schneider, 1985) or knowledge brokers (Arikan, 2009; DCMS, 2006) by connecting and coordinating new relationships and partnerships. They also provide vital market-driven intelligence. Artbank (2008) – a self-funding national contemporary art rental program – is especially relevant in shaping local demand conditions, while industry associations are critical in enhancing competitiveness.

Trade associations fulfil an important function within its industry community. They can contribute to ethical trade practise and standards through accreditation; provide informal contributions to policy (Johnson & Kaptein, 2007; Porter, 1998a) and can educate about the benefits of cooperation and collaboration (Scott, 2006c; Rosenfeld, 2001). The *International Council of Museums (ICOM)* is an important source of knowledge, information and ethical benchmarking within the museum world (ICOM, 2009). Its national branch *ICOM Australia* represents and links its local museum and university sector. *Museums Australia* (2006), the peak association for the cultural industry also have a national focus with its sub-branches focusing on specific regions. *Museums Australia Victoria (MAV)'s* membership-base, for instance, comprises public museums in the state of Victoria (2009). The *Public Galleries Association*, by contrast, provides a narrower industry focus – the fine arts. Victoria's regional branch (*PGAV)* comprises public galleries and art museums within the State (PGAV, 2009).

The *Encyclopaedia of Australian Art* (McCulloch et al., 2006) cites there were more than 120 public galleries in Australia in 2006 – most linked through organisations such as *Museums Australia* and the various public and regional gallery associations in each state. This contrasts the Victorian branch membership of 45 (PGAV, 2009). Figure 2.5 below identifies these art museums and galleries and their geographic location.

Source: PGAV (2009)

Figure 2.5 PGAV's geographic map and members

Firms that take advantage of the opportunity to form an association, such as the *PGAV*, are more likely to be recognised as a cluster (Rosenfeld, 2001) which in turn helps foster a strong reputation and identity. The association's geographic and industry focus, specialist nature and networking capacity can also reinforce the benefits of working as a system (Scott, 2006c; Rosenfeld, 2002b; Enright, 2000b; Porter, 1998a, 1990; Piore & Sabel, 1984). However, one drawback is that such associations tend to be dominated by large firms (Rosenfeld, 2001). The *NGV*'s representation could reflect such a problem as its leadership function formally establishes its capacity to supply infrastructure and amenities to the *PGAV*. This can influence the type and character of programs, research directions, grant recipients and public services that are available to its members. On the other hand the lead firm's self-interest – or member's perception of its influence and how the Association 'fits' within the dominant player's context – (Porter, 1990) can run the risk of dulling incentives to innovate and to experiment. This in turn can diminish the industry's 'sustained advancement' (Porter, 1990, p. 594).

Despite the influence that large firms may have, collective bodies of 'cluster pioneers' (Porter, 1998a) can also independently affect the prospects of the network. As such, private sector perspectives – and its informal contribution to policy – can impact on the direction and pace of growth. As a neutral forum (Porter, 1998a) the *Australian Commercial Galleries Association (ACGA)* is the leading national trade association for the private sector. According to *ACGA* (2007) it consists of:

> … galleries on the forefront of the industry which have formed strategic alliances in their goal to contribute to, represent, promote and further the interests of Australian commercial galleries, the primary art market and its living Australian artists.

As the owner of Melbourne's biennially held contemporary art fair – *Melbourne Art Fair* – the *ACGA* (2007) has a critical role to play in the Australian visual arts infrastructure. This factor creation role has seen the *ACGA* and government associations including *National Association for the Visual Arts (NAVA)* and the *Australia Council* develop a Code of Practice and accreditation program for the galleries and the artists they represent. This has reduced uncertainty, enhanced the reputation and connectivity of the private sector while encouraging a greater ethical sophistication.

The commercial market and its interactions value add to the original creative works. Demand for these works is ensured by the end-user, while distribution is undertaken by intermediaries including auction houses, galleries and art fairs. A consistent and steady growth in this demand has been observed over the time-frame of this study with increased attendance to art museums (ABS, 2007; DCITA, 2002), art fairs (Coslovich, 2008b; MAF, 2008; McCulloch, S. 2007; Strickland, 2006a, 2006b) as well as commercial sector activity (John Furphy Pty Ltd, 2009; Coslovich, 2008a, 2007b; ABS, 2007; Strickland, 2006e, 2006b) with art auction houses declaring a three-fold market increase in the decade 1996-2006.

Galleries are defined as businesses whose principal activity is the display and sale of artworks (ABS, 2008b) and constitute a key part of the primary art market. In addition to their role in retailing, galleries are important providers of exhibition space for developing artists (ABS, 2008b) and act as an important entry point for both producers and end-users in the commercial side of the industry. Together with art museums, these commercial ventures have spawned a terrific awareness and enthusiasm for visual art and its consumption.

The sale of artwork through commercial enterprises acts as an important economic link to the wider economy (DCITA, 2002). The primary art market (the majority selling through commercial galleries and art fairs) is when an artwork comes to the market for the first time. Once the artwork is offered for sale, it enters the secondary market. Most art at an auction house forms part of the secondary art market. There is, however, interplay between the two markets. Prices fetched at auction have a direct bearing on how art dealers' price new works by the same artist in the primary market (Bellamy, 2005) suggesting there is continuity between the two commercial markets and their enterprises.

Australia's seven main art auction houses range from Australian based SMEs, to large international companies involved in the sale of a wide variety of collectible items. In 2003, there were three dominant players in the national and Victorian art auction industry: international auction houses *Sotheby's* and *Christie's* and Australian *Deutscher Menzies*. However, the 2006 departure of *Christie's* from the Australian marketplace has seen a major reshuffling and the subsequent re-positioning and entry of new players. The entry and exit of players is highlighted in Appendix C. This listing of auction house sales also shows the traditional market leader *Sotheby's* being outperformed by the combined sales of *Deutscher-Menzies* and *Lawson-Menzies* acting under the umbrella of '*Menzies Art Brands'*. While a split in the *Deutshcher Menzies* partnership saw the creation of an additional player in 2007 – *Deutshcher and Hackett* – firing vigorous domestic rivalry (Coslovich 2007b). This has had significant consequences in the cluster's formation, upgrading and a climate of regeneration for investment and infrastructure development in the art auction house arena.

As players jockeyed for position the industry witnessed an expansion of auction house staff, the recruitment of Australia's public art museum experts (Williams, 2008) and subsequent behind the scene movement of its specialist workforce (Coslovich, 2007b; Strickland, 2006f). Appendix D details the auction house landscape – its ownership, location and positioning – showing the growth of the principal players over the time of this study's investigation.

A tussle for lead position in the art auction segment has had significant consequences in the regional cluster's regeneration with an increased investment and interest in Melbourne as a place to do business. *Menzies Art Brands'* purchase of its head office, together with a former Governor's mansion – located within a commercial art precinct – furthered Melbourne's position and focus as a fine art centre. Such geographic concentration and gestures magnify the 'power of domestic rivalry' (Porter, 1998a, p. 181) ensuring domestic improvement which 'local rivalry uniquely spurs'.

The refocus and development of Melbourne's infrastructure, player's proximity and active rivalry, is beneficial to the cluster's health. It is also advantageous in reversing

Melbourne’s decline in art auction turnover. This refocus is significant when comparing Melbourne’s loss of market share to Sydney over the decade 1994-2004. Table 2.2 details this decline while highlighting its national growth over the decade.

Table 2.2 Art auction turnover and sales (1994-2004)

Year	City	Art Auction Turnover (%)	National Total
1994	Sydney (NSW)	9	$26.07m
	Melbourne (VIC)	86	
2004	Sydney (NSW)	58	$90.0m
	Melbourne (VIC)	39	

Source: John Furphy Pty Ltd (2009); Ingram (2005).

Market specialists argue that the struggle for fresh work drives the fine art industry (Williams, 2008). Consequently market development strategies are opportune for growth and the ability for new entrants to absorb any excess. This provides strength to incumbents in addition to an increase in financial performance for all parties (Porter, 1998a).

While continuous innovations and early mover advantages (Porter, 1990) are particularly significant in the auctioneering industry there are threats. Industry analysts (Ingram, 2006a, 2006d; Owens, 2005) argue that the ‘internal focus’ of the Australian art world is detrimental to its competitive advantage and ability to compete internationally. While the opportunity exists for a new international profile for indigenous art, industry growth may be stifled as all Aboriginal art auctions are held in Australia. The reason for this focus is economic – the fact being that the vendors' knowledge of the trade ensures successful profits. Ingram (2006d, p. 44) argues:

> … the market where the object or artwork was created is usually the one where the highest prices will be fetched. As such, Australia is generally the best place to sell Aboriginal art and, since *Sotheby's* began indigenous auctions, a number of international collections ... have been sent to Melbourne (auction) rooms for sale.

While this internal focus may be good for Melbourne, in the long term it can weaken the cluster's growth potential and its opportunity for international expansion and presence. Ingram (2006a, p.44) reinforces this notion and argues that international auction house operations have been based on Australian art ... 'from Australians to Australians in Australia'. This, Ingram (pp. 44–45) decrees, has created a dilemma:

> … rather than acting as ambassadors for Australian culture these paintings are returned to Australia due to their status within the country and consequently to secure the best possible price. The decline in works allows no room for expansion or growth.

The most recent statistics on total sales compared to geographic region reflects Melbourne's status in the commercial gallery industry and is detailed in Table 2.3 (ABS, 2001b, 1998). Although over a decade old, comparisons suggest solid national growth, however, sales in Victoria remain stagnant between 1997 and 2000 with growth emphasized in NSW.

Table 2.3 Commercial sales in Australia by year and state (primary sales)

Year	Victoria	NSW	National Total
1997	31% ($41m)	32% ($42m)	$131m
2000	30% ($66m)	44% ($97m)	$218m

Source: Coslovich (2007b); DCITA (2002) and ABS (2001b, 1998)

Table 2.4 reflects a similar scenario with the number of Australian commercial galleries showing growth (12.5% between 1997 and 2000) despite the number of commercial galleries in Victoria decreasing. Of the 457 galleries operating nationally in 1997 similar concentrations were in New South Wales (139) and Victoria (138). Despite a national increase in the number of galleries three years later there is a decline in Victoria while NSW saw a substantial growth.

Table 2.4 Number of commercial galleries and sales by state (1997 & 2000)

Year	Vic	NSW	Other	Total
1997	138 ($41m)	139 ($42m)	180 ($48m)	457 ($131m)
2000	118 ($66m)	230 ($97m)	165 ($57m)	513 ($218m)

Source ABS (2001b, 1998)

These statistics set the scene for the Victorian fine art cluster at the point of dislocation of its key player in mid-1999. The Victorian regional cluster is not only stagnant amid a growing national art economy but losing its profile as the cultural capital of Australia (Victorian Government, 2004). It is within this cultural landscape that the government intervention and growth strategy is implemented.

Art fairs have played a significant role in mobilising the torpid fine art industry, with the commercial sector represented in a number of annual and biennial fairs that have realised an increase in attendance, interest and sales. Novices are attracted to these events along with art advocates and cognoscenti such as international collectors or curators (Strickland, 2006a and 2006b). The inclusion of both amateurs and specialists are important elements in stimulating home-demand conditions.

Providing specialised infrastructure the *Melbourne Art Fair (MAF)* reflects a growing economy within the primary art market with $8m in sales in 2004, $10.5m in 2006 and $12.1m in 2008 (Coslovich, 2008b; Strickland, 2006b). In addition to reinforcing Melbourne's position as a key commercial centre, the *MAF* promotes the fine arts in mainstream, professional as well as commercial circuits. Cited as being the 'leading art fair and public exposition in the Asia Pacific region' (MAF, 2008) it provides an important forum in which to buy art from across the region. Public institutions such as the *NGV* and the *National Gallery of Australia* (*NGA)* purchase works for their collections (Coslovich, 2008b) from this two-yearly event.

Organised by an independent events company *Art Melbourne* extends the scope of the Victorian metropolitan art fair arena (McCulloch et al., 2006) along with a number of smaller fairs held in various locations comprising grass root and charity events. Art fairs act as an important link between a city's special events industry, tourism and the fine arts. They are acknowledged and supported by the Visual Arts and Craft Strategy, an initiative of the Australian, State and Territory Governments.

The increased entry of art spaces (McCulloch et al., 2006) in recent decades (mid-1970s and particularly in the 1980s) has also been significant. Either as public spaces or attached to tertiary institutions, these have no permanent collections and are dedicated to the showing of contemporary experimental (often performance and installation) art. The opening of the inner-city's *Australian Centre of Contemporary Art* (1981) and *Gertrude Contemporary Art Spaces* (1983) were important institutions in the development and production of contemporary art. Following the lead of Adelaide (1975) and Brisbane (1975), this was a significant addition to Melbourne given the historic and intense rivalry between contemporary art advocates and the city's conservatives – including the *NGV* – over the previous decades. While Porter (1998a) argues that domestic rivalry is arguably the most important determinant in stimulating a competitive environment, the suppression of the contemporary art movement is intrinsic in the Victorian fine art cluster story.

House museums are also intrinsic to the network and include *Lyon Housemuseum* – a new start-up founded after the re-establishment of the *NGV* (Marshall, 2010) and long standing player *Duldig Gallery* (The Duldig Studio Inc., 2008). Located in metropolitan Melbourne, these house museums and galleries exhibit 'time capsule' collections (Flynn, 2008). Their purpose is to retain the identity of an artist, historical context or particular vision of its owner while having the art continually on view. *Heide MoMA* (2009) had its origins as a 'house museum and art gallery'. Formally established in 1981, this boutique specialist gallery has become one of the state's leading public art museums. Located in Melbourne's outer- metropolitan region, *Heide MoMA's* collection is still an integral part of its core exhibition program.

Companies limited by guarantee such as TarraWarra Museum of Art (TWMA) – a new start-up founded in the dislocation phase (2000) and located in regional Victoria – has added to the mix of players. Operating as a not-for-profit institution, TWMA (2010) is the 'first privately funded, significant public visual arts museum to be set up under the Australian Government's philanthropic measures announced in March 1999'. This new entity is a productive example of the fine art industry's links with the public and private sectors and the influence of policy in initiating cooperative and collaborative opportunities. Moreover, it illustrates a paradigm shift within the public-philanthropic domain. Marshall (2010, p. 6) explains:

> Australian private collectors wishing to use their collections as the basis for public-philanthropic initiatives in the past have tended to do so by donating works to state and regional galleries. In recent years, however, there has been a renewed interest in the idea of collectors working on their own initiative to develop independently operating, privately funded art museums. Victoria, for example, has recently witnessed the foundation of the TarraWarra Museum of Art … the Lyon Housemuseum (while) … in Hobart (Tasmania) … the Museum of Old and New Art (MONA) … (is) scheduled to open in early 2011.

These new start-ups, together with established firms and government can add to the synergy of the cluster by linking sectors and businesses to include new combinations of capabilities and knowledge flows. They can act as a framework to educate players about the benefits of cooperation and collaboration which can be critically important where networks are composed of many small firms (Scott, 2006c; Rosenfeld, 1996b). In contrast to these formal networks, informal links help in the flow of knowledge through long standing personal and working relationships between actors (Barrowclough, 2006; Nachum et al., 1999).

The fine arts' strong social structure adds to the industry's distinctive character and the opportunity for (i) interaction and connectivity, (ii) local presence, (iii) sharing of ideas and tacit knowledge, (iv) extending the reach into other regions and industries. The process of localised collective learning and new knowledge development (Nachum et al., 1999) highlights the distinct dynamics of the fine art's locally-embedded social system. Such networks characterised by a relatively free flow of information (Harding, Scott, Laske & Burtscher 2007; Scott, 2006c; DCITA, 2004; OECD, 2001c, 1999b; Porter, 1998b) can substantially influence the potential of sustainable growth and rejuvenation.

2.1.6 Summary

This section provided insight into the dynamics and distinctive character of the Victorian fine art cluster. Identified as a narrow cluster this defies the complex interactions and interdependencies that exist and how boundaries evolve during the process of knowledge sharing and information exchange. A schematic map was introduced to illustrate these knowledge networks and relationships while stressing the importance of demand as a knowledge source. The configuration and inter-relationships of the cluster are viewed from a regional and industrial organisation perspective highlighting its governance structure and the significance of the lead firm within the network. This provides a context for this study and how a key player may affect cluster functioning and its ability to act as a mutually reinforcing system. The discourse provides insight into a competitive industry while also emphasising the strong social networks and government intervention in terms of policy and strategic direction. It also draws attention to the pivotal role these knowledge based communities play in regional development.

2.2 Clusters

Clusters are groups of firms that link together for mutual competitive advantage. A systemic view of a cluster (RRI, 2008; Scott, 2006c; Lampel, Shamsie & Lant, 2006a; Morgan, 2004; Rosenfeld, 2003a) focuses on how social capital, as well as organisational and knowledge networks combine to facilitate growth while offering a broad understanding of how industries function. In this thesis, the cluster concept is used to better understand how businesses inter-relate and to help identify relationships and competitive dynamics within the Victorian fine art domain. The need to appreciate the complexity of this regional system is crucial in understanding the nature of this grouping of firms during a process of change. The Victorian fine art cluster's transformation process provides an ideal environment for the exploration of how various groups compete, collaborate and form fluid alliances and how their roles are affected.

Some businesses flourish when they form clusters – groups of competing and cooperating businesses that enhance demand for specialist labour and supply networks in a particular location (DCMS, 2008). They have demonstrated to be an important source of innovation driven at the local level (den Hertog, Bergman & Charles, 2001a; OECD, 2008, 2005, 1999a). As an environment conducive to growth, its structure depends upon the vitality of the specific industry, its knowledge flow and public policy (Scott, 2006c; OECD, 2005, 1999a, 1999b; Swann, Prevezer & Stout, 1998; Rosenfeld, 2001, 1997). Government policy, including financial intervention, has therefore been directed at the Victorian cultural sector with the aim of creating a structure that will maximize the opportunities for regional development.

In this study, clusters are used as a way to recognise networks of relationships and interdependencies and to offer an analysis framework that documents what happens when a key player leaves but indicates that it will come back. In using this approach, it is expected that the industrial organisation of the fine arts and particularly the behaviour that a dominant player induces, may be an important consideration in the innovative and growth capacity of the sector.

The following discussion offers a macro-level view of how industry groups constitute a broader economic structure. As a mature cluster following an organic growth strategy, the notion of evolution and the fine art cluster's life cycle is also discussed. This idea is consistent with this longitudinal study and its comparative analysis of the effects of change over time. The use of the cluster framework will help magnify any imbalance or systemic imperfections (Macpherson & Holt, 2007; OECD, 1999a; Freed, 1994) that may facilitate or restrict the direction and pace of innovation and growth.

In this study, a cluster has been defined as:

> … a complex system capable of initiating a synergetic process where interconnected organisations and associations are linked by commonalities, complementarities and rivalry. The interconnections between cluster members can be explicit and implicit, that is, as informal social systems or as formal structures. A second aspect of a

> cluster is that of proximity which may be geographic or functional. This connectivity and synergy transforms the local experience of each member where they can be expected to define their relations vis-à-vis rivals and with markets. Consequently, the position a cluster member occupies is a matter of great strategic importance and reflects its power and influence and how it may influence the actions of other actors.

2.2.1 Cluster Approaches

There are a number of approaches to clustering with Porter’s (1990) model being the most used. Porter identifies an emerging firm rivalry and demand conditions among a group of co-located firms as the pressure that forces firms – located close to competitors and faced with demanding customers – to innovate and improve productivity. This is complemented by support in a cluster provided by specialised factor inputs and related and supporting industries. The cluster works by collaborative behaviours and networking, enhanced by the possibilities of benchmarking against competitors. Porter’s approach explains how a cluster, once established, generates innovation but fails to provide insight into the social structure of the cluster (Rosenfeld, 2001) or how the cluster achieved its status.

Clusters create new capabilities, companies and industries and within the context of economic growth have achieved recognition as a key economic success driver (TCI, 2008; OECD, 2008; Morgan, 2004; UNIEI, 2001; Hill & Brennan , 2000; Swann et al., 1998; Porter, 1998a). Porter’s (1990) model has been widely used in cluster studies to determine the role of competitiveness and the influence of related and supporting industries on competition. In this model, clusters affect competition in three ways: increasing productivity of firms and industries; increasing the capacity for innovation and productivity; and stimulating new business that support innovation.

Porter's model (1990) is used to illustrate the determinants and roles of relationships as a dynamic and evolving system. Each broad attribute – individually and as a system – build on the issue of why some firms are able to continually innovate and overcome barriers to change. The factors that drive innovation and a cluster's growth are described in Table 2.5.

Table 2.5 Porter's determinants of competitive advantage

Factor (Input) Conditions	Production factors such as skilled labour, logistics and infrastructure, necessary to compete in a given industry.
Demand Conditions	Extent and nature of home-market demand for the industry's product or service.
Related and Supporting Industries	The presence, absence or extent in the nation of supplier industries and other related industries that are internationally competitive.
Firm Strategy, Structure and Rivalry	The conditions in the nation governing how companies are created, organised, managed and grown as well as the nature of domestic rivalry.

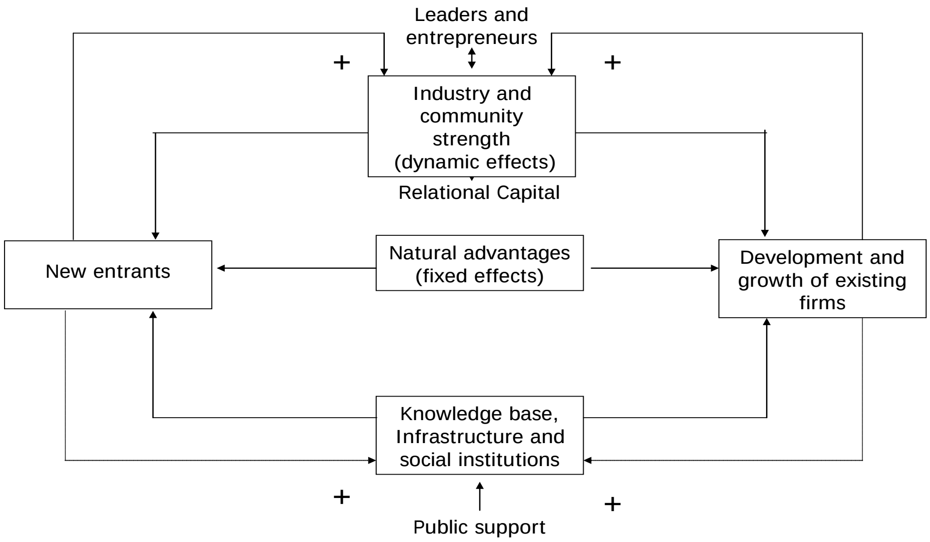
Source: Porter (1998a)

The model works as an engine of cluster growth and upgrading and as Sölvell (2009, p. 41) has commented:

> … If the right circumstances are present (rivalry, cooperation, openness to international markets, lead customers, etc.), the cluster will interact with labour markets and universities to enhance factor specialization and upgrading, and increased demand sophistication. All four drivers begin to interact, and through upstream and downstream linkages, a larger cluster will emerge.

Additional variables that influence this system are chance events and government (Porter, 1998a). In context to this study, the 1850s gold rush established the wealth and cultural capacity of Victoria and its national collection (which had its origins at the *NGV*), while the Government's intervention in 2001 bolstered the fine art and cultural industries and their specialised assets.

Swann et al., (1998) provide a complementary theory. For them clustering is about the shift of attraction from a static resource to a dynamic and knowledge based resource. Figure 2.6 summarises this model.



Source: Swann et al., (1998)

Figure 2.6 How do clusters work? The cluster process

The natural advantages of a location provide the initial conditions for a cluster to start by providing a base for existing firms to thrive and thus attract new firms, organisations and resources. This provides strength to incumbents due to the interaction between existing agents and the new entrants, creating dynamic effects. Over time, institutions emerge that capture knowledge and support economic activity. These institutions can be leveraged and assisted by public support, whilst the dynamic effects are a result of individual transactions and market forces.

In the context of this study, the natural advantages of the cluster are the central city location and the presence of a quasi-monopoly player, the *NGV*. The exit of a focal firm reduces the natural advantages of the cluster and sets off a search for dynamic knowledge resources to replace these.

The natural advantages of the Victorian fine art cluster's inner-city setting and the presence of its lead firm play an influential role in the interaction and affinities between the public and private domains. This inner-urban advantage and its collective assets also define the context for the fine art cluster's growth, innovation and productivity.

Melbourne's fine art alliances are especially evident within the public gallery sector where board members not only include 'established Melbournians' (Strickland, 2008a, p.3) who reinforce relationships but business leaders who help leverage competitive advantage through the transfer of tacit knowledge. This also develops its ability to access philanthropy (Flynn, 2008; Strickland, 2008a) and sponsorship prospects. This opportunity can ensure the cluster's sustainability and stability.

For a functioning cluster to exist, there must be active linkages and interdependencies among networked actors in the production of goods and services and in innovation either as knowledge based communities (Charles, 2008; Henry & Pinch, 2000), or innovation systems (Eickelpasch, Lejpras & Stephan, 2007; Asheim, 2005; den Hertog et al., 2001a; OECD, 1999a, 1999b). Cluster innovation depends on how businesses interact with one another while systems of innovation (Roelandt & den Hertog, 1999b, p.413) assume that companies, 'in their quest for competitiveness, are becoming more dependent upon complementary knowledge in firms and institutions other than their own'. This facilitates an environment where firms can learn from each other rather than relying on support organisations, which in the case of the fine art cluster, comprise of large government funding and policy organisations.

While clustering can improve interaction between players, this interactivity and subsequent knowledge flow can also be unbalanced with SMEs considered dependent on, or complimentary to, the larger firm (Vatiero, 2006; Teece, 1999; Bergman, Maier & Todtling, 1993). Instead the clusters' industrial organisation and knowledge network may restrict growth by not acknowledging the free flow of knowledge within the system. Such systemic imperfections may restrict the direction and pace of innovation and growth. This study is therefore concerned with the system approach to clustering and the need for effective networks which enable knowledge to flow easily and at different levels of development.

2.2.2 The Fine Art Cluster – A Schematic Map

The theoretical framework of clusters together with Porter's four drivers of competitive advantage has ensured an adaptation of the original schematic map (detailed in Figure 2.2). The major distinction between these two maps is that the former is a set of firms (the fine art economy) while the latter describes an eco-system that benefits from proximity to and relationships with end-users, suppliers and support industries. Figure 2.7 illustrates this framework for understanding the Victorian fine art economy.

The diverse activity base of Victoria's capital city adds distinction to the fine art industry that is specific to the region. The interdependency between its influential demand sector, its neighbours and varied supply network of philanthropists and sponsors is especially advantageous. While this interaction extends the territorial spread of participants over a wider geographic region – including its global reach – it can also strengthen its knowledge infrastructure which is a key to competitive economic growth (OECD, 2008; Simmie & Sennett, 1999).

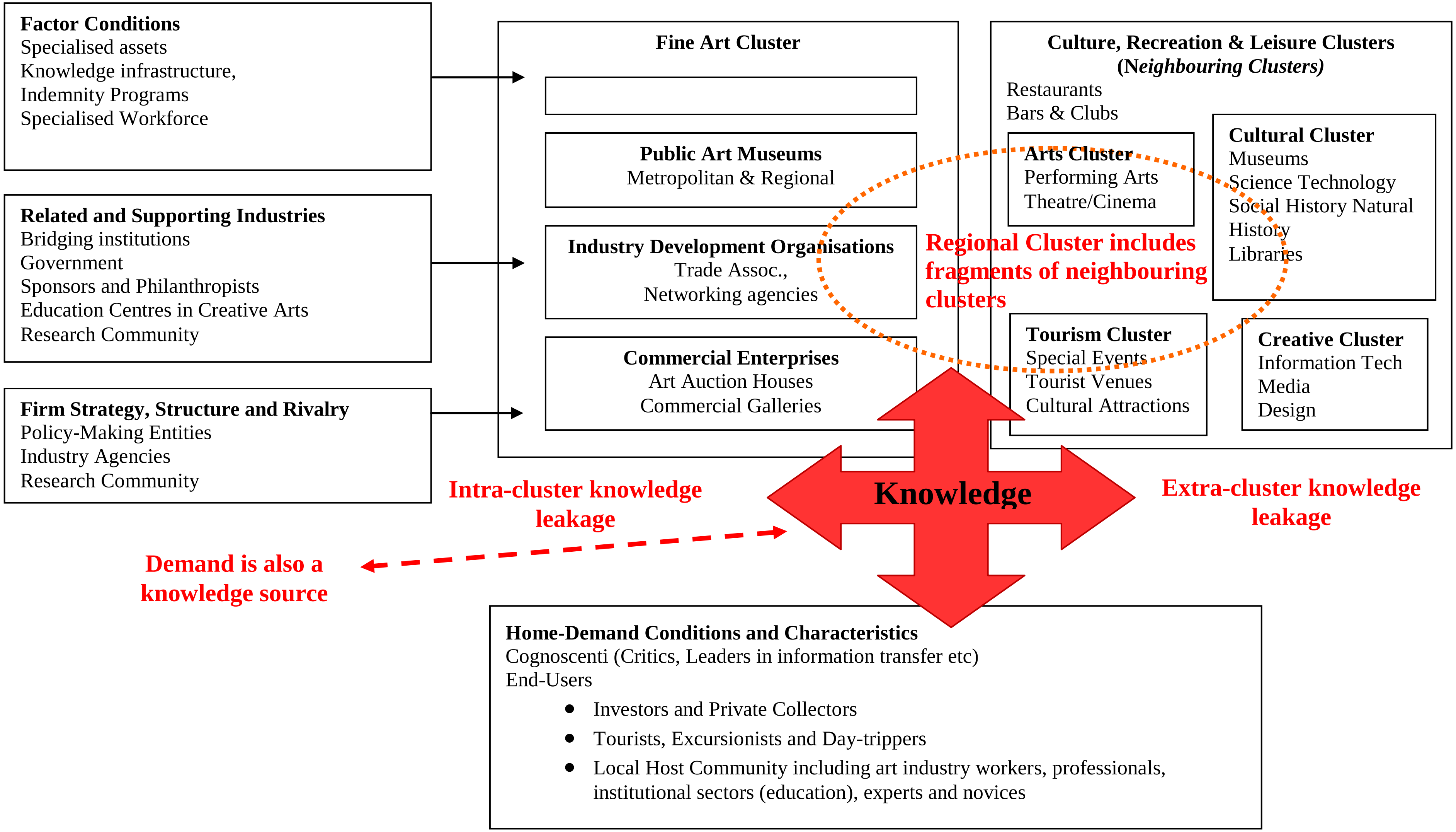


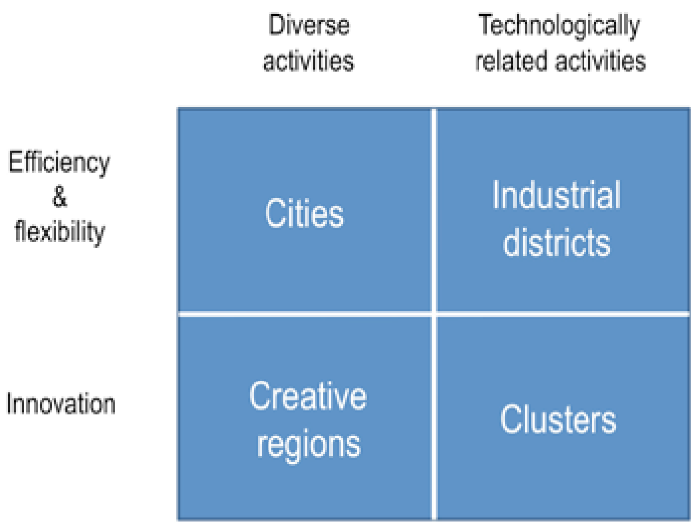
Figure 2.7 Schematic map – The fine art cluster's network of relationships (Porter adaptation)

2.2.3 Models of Interaction and Agglomeration

There are a range of theoretical models to identify cluster dimensions. The model proposed by Sölvell (2009) and Malmberg, Sölvel & Zander (1996) delineates four agglomeration economies and incorporates the key concepts of industrial districts (Piore & Sabel, 1984; Marshall, 1920), urbanised economies (Acs, 2006; Jacobs, 1969), clusters (TCI, 2008; OECD, 1999a; Swann et al., 1998; Porter, 1998a) and creative regions (Scott, 2006a; Florida, 2005, 2002). These four agglomeration economies are distinguished as two categories.

1. cities and industrial districts, explained in terms of 'efficiency gains and flexibility;'
2. creative regions and clusters, explained as 'centres of knowledge creation and innovation'.

This division and its four main types of agglomerations are illustrated in Figure 2.8 and explained in Table 2.6 and 2.7.



Source: Sölvell (2009)

Figure 2.8 Four types of agglomerations

The academic literature (Sölvell, 2009; Lindqvist, Protsiv & Sölvell, 2008) maintains that these models are not mutually exclusive, but rather are complementary to one another. The Victorian fine art cluster reinforces this debate as its cultural capacity is recognised as an integral part of the State's cities and industrial district development. Government policy is directed toward these agglomeration's potential as centres for knowledge creation and innovation (Arts Victoria, 2008).

Table 2.6 Agglomerations of efficiency and flexibility

Cities	Industrial Districts
Regional and urban concentration of industries in a single location (so-called urbanisation economies). This agglomeration type emanates from the efficiency of large-scale operations of the agglomeration as a whole.	Firms engaged in similar or linked business activities which are embedded in the local community (so-called localisation economies). Usually comprise of small, specialised firm structures that constitute a base for flexible production systems.

Adapted from Sölvell (2009); Staber, Schaefer & Sharma (1996); Porter (1995); Piore & Sabel, (1984).

The two remaining agglomerations highlight 'new growth theory' and the connection between knowledge, human capital, and economic growth (Acs, 2006; Florida, 2005; Romer, 1990). The concentration of related firms includes creative regions and clusters.

Table 2.7 Centres of knowledge creation and innovation

Creative Regions	Clusters
Knowledge creation and creativity in a region without any sectoral boundaries. Emphasis is on the regional variety of skills and competencies, where the often-unplanned interaction among actors can lead to new and sometimes unexpected ideas and creative designs, products, services and business concepts	Clusters of related industries are made up of physical flows of inputs and outputs, but also include the exchange of information, know-how and technological expertise, both in traded and untraded forms. Capabilities are linked to a particular location or technologically related actors with common or complementary business interests.

Adapted from Sölvell (2009); Florida (2002); Rosenfeld (2002b); Porter (1998a); Malmberg et al, (1996).

An examination of these agglomerations (Sölvell, 2009; Swann et al., 1998) leads to the conclusion that a localised pattern of development facilitates a collective learning process, increasing the speed of diffusion by reducing uncertainty. Innovation becomes first and foremost, a collaborative social endeavour where the costs and burdens are shared by a wide range of regional participants (firms that simultaneously compete and collaborate). The cumulative nature of innovative activity creates a clear, self-reinforcing advantage for firms who locate in areas that are abundant in these resources, leading innovation to exhibit pronounced geographical concentration. The networks, interactions and interdependencies between actors play an important role in this.

2.2.3.1 Regional Clusters versus City Agglomerations

Cluster theory (TCI, 2008; Porter, 1998c, 1995; Enright, 1992) suggests that regional clusters arise out of the linkages and localised information flows (externalities) that span across industries in a particular location. These spillover effects determine the cluster boundaries – which are continually evolving and shifting – and are often cited as intrinsic for businesses to achieve the flexibility necessary to remain competitive. They are also important to productivity and innovation and encompass vertical, horizontal or institutional linkages. However, some academics argue that there are limits to current cluster theory (Glückler, 2007; Nachum et al., 1999) and that agglomerations arise from the interplay between global and local networks of knowledge and information flows. Such theories attest that the benefit of co-location in the city lies in the access to 'reputation networks' (Glückler, 2007, p.1) rather than in the exploitation of local value chain linkages. This suggests that a city is a locus for development as Scott (2006c) has noted:

- its interactions move beyond the local;
- its informal networks are embedded in a wider system that bind all cities together;
- it comprises a network of complementary and competitive relationships;
- it can act as a node for business development in global networks.

A city's knowledge based economy, together with a policy that encourages cooperation (as reflected in Victoria's arts policy), can help secure the opportunity for inter-firm knowledge exchange within a competitive environment. This connectivity and the prospective emergence of a global network are highlighted by Scott (2006c, p. 2) who suggests:

> The value of a worldwide network of cities, bound together in complementary and competing relations, is the creation of both global and local environments of shared synergies, common resources and innovative activity.

Urban theorists (Scott, 2006c; Wu 2005; Florida, 2005; Frew, 2005; Landry, 2002; Hall, 1998) and key policy-making entities (UNESCO, 2008; KEA European Affairs, 2006; Interarts Foundation EFAH, 2003) seek to situate the concept of metropolitan districts within the context of the knowledge and creative industries and engage in the development of 'creative cities'.

2.2.4 Classifying Clusters

The level of firm interaction and inter-relationships are recognised in cluster classifications (Rosenfeld, 2001, 1996a; Enright, 2000a, 2000b). These relationships may be a key factor in determining the shape and strength of the cluster as learning is an interactive process requiring knowledge exchange. Table 2.8 presents the terminology and key features that distinguish a cluster and how it is classified.

Table 2.8 Cluster classifications

Cluster classification	Key features
Working clusters	• Critical mass of local knowledge, expertise, personnel and resources • Agglomeration economy used to advantage in competing with firms outside the cluster • Dense clusters whereby interaction within the cluster is different both quantitatively and qualitatively from interaction with firms not in the cluster • Complex patterns of cooperation and competition • Able to attract key personnel or resources from other locations • A knowledge of the interdependence of local competitors, suppliers, customers and institutions
Latent clusters	• Critical mass sufficient to gain benefits of clustering • Insufficient level of interaction and information flows to truly benefit from co-location • Firms do not think of themselves as clusters and do not exploit the potential benefits of closer relationships with other local organisations • Clusters often attract cluster development initiatives to facilitate cluster activity
Potential clusters	• Contain some elements needed for cluster development • Need to be deepened and broadened to benefit from the impact of agglomeration • Apparent gaps in inputs and services, information flows that support cluster development • Lack interaction and self-awareness of working cluster
Policy driven clusters	• Chosen by governments for support • Lack critical mass • Lack favourable conditions for organic development • Chosen on political grounds rather than via an analytical process • Focus is on a 'top down approach'
'Wannabe' cluster	• Often policy driven • Lack critical mass • Lack recognised favourable conditions for cluster development

Source: McRae-Williams (2005); Rosenfeld (2001, 1996a); Enright (2000a, 2000b).

As dynamic organic networks (DCMS, 2008; Porter, 2000, 1998c), the key features highlighted by Rosenfeld and Enright's cluster classifications draws attention to the importance of interdependency, inter-firm relationships and the conditions for innovative development. The density of these firm interactions, within and outside the cluster, is also emphasised, highlighting the importance of the environment (political, geographic, economic, socio-cultural and technical), and the local social system (Rosenfeld, 1997). This is significant in the cluster's ability to develop, prosper and produce synergy. Subsequently, clusters and their potential as a healthy 'working cluster' are, like the economy within which it functions (Florida, 2004), constantly morphing.

2.2.5 Identifying and Describing Cluster Organisations

In this study, two approaches have been used to identify and describe cluster organisations:

(i) a menu approach;
(ii) a descriptive approach.

These will be discussed in order to provide a framework for comparison that may help to inform the understanding of the way clusters innovate and adapt to change. This will benefit the comparative analysis discussions detailed in the concluding chapters.

2.2.5.1 Identifying Clusters

The menu approach is used to define and describe clusters from a business, industry and regional policy perspective (McRae-Williams, 2005; Jacobs & De Man, 1996; Rosenfeld, 2002b; Verbeek, 1999). These dimensions locate the cluster's regional and structural links and networks.

In terms of this longitudinal study and its research agenda, the menu approach provides a script in which to identify and compare cluster dynamics, interactivity and inter-relationships over time. While its inclusion of 'intra' and 'extra-cluster' dimensions draws attention to the interdependency between groups of firms that may compete, or may also complement, or act as a support sector to the fine art industry. Table 2.9 lists the key features of the menu approach.

Table 2.9 Dimensions for identifying clusters – a menu approach

Cluster dimension	Key features	Industry/sector indicators	Business indicators (Intra-cluster)	Cluster indicators (Extra- cluster)
Geographical	– Spatial co-location – Geographic dependence – Geographic constraint	– Industry geographic – Focus i.e. local industry associations, local support infrastructure	– Positive regional focus – Support regional networks or initiatives	– Interact with other clusters in a geographical or regional context
Horizontal	– Sector classification – Sector aggregation – Cross sector classification	– Sector initiatives – Strategic plans	– Support sector initiatives – Link cooperation and competition	– Learn from other cluster initiatives
Vertical	– Composite of production chains, supply networks and outsourcing networks	– Relationship between suppliers, specialised inputs – Whole system approach to environmental, quality issues	– Interaction between user/ producer/ supplier – Exchange or share workforce – Co-location production units	– Located near advanced suppliers/clients – Relationships with other client clusters to upgrade products
Lateral	– Linking and sharing related sectors capabilities	– Synergy between sectors	– Synergy between businesses	– Inspiration from other clusters – New combinations of cluster elements
Focal	– Cluster forms around a central actor/firm	– Enhanced interaction between organisations – Staff mobility – Attraction of support industries	– Relationship between focal firm and other firms	– Relationship with other clusters
Technology	– Industries that share related technologies and technological characteristics	– Attraction or interaction with technology based industries	– Developing core competencies individually or cooperatively	– Interaction with other clusters
Knowledge	– Relationship to relevant knowledge infrastructure, education and research	– Attraction or interaction with education and training institutions	– Developing core competencies and skilled labour force, individually or cooperatively	– Interaction with other clusters
Networks	– Cooperation between businesses	– Sector network stimulation – Network management	– Developing partnerships – Coordination between businesses	– Interactions with networks in other clusters

Source: McRae-Williams (2005); Jacobs & De Man (1996)

2.2.5.2 Describing Clusters

The descriptive approach proposes a range of cluster types by their activity level (McRae-Williams, 2005; Enright, 1996). This approach uses multiple descriptors which can highlight a cluster's distinctive character and potential. McRae-Williams (2005, p. 84) reflects:

> … organic clusters are localised, dense and deep, activity rich clusters which have a propensity for innovation, and draw benefits from the globalisation of economic activity. On the other hand, dispersed, sparse, shallow and activity poor clusters are less embedded in the local economic and social systems, and are less likely to be a source of self-sustaining growth.

It is the rate of activity, rather than extent, concentration or quantity of production that identifies a cluster's effectiveness (Rosenfeld, 1996a, 1997, 2002a). Thus, an effective cluster 'embodies groups of firms that frequently meet, interact and conduct business … have developed high levels of mutual trust, hold a shared vision and learn from each other – all of which produce dynamism and synergy' (Rosenfeld, 1996a, p.15).

In the context of this study, a cluster is defined in a broad sense and simply represents a group of firms that, because of co-location and relationships, generate some synergy. This synergy need not be dependent on the size of enterprises or the region's scale of activity.

By understanding the nature of the cluster, these descriptors can help direct policy or the direction that may be necessary to improve innovative activity and create favourable conditions for innovation and growth. Table 2.10 lists the dimensions for describing clusters.

Table 2.10 Dimensions for describing clusters – a descriptive approach

Dimension	Scope (Key Feature)	Activity Level	Description
Geographic	Territorial extent of participants	Localised cluster	Tight grouping, small geographic area, single town or district
		Dispersed cluster	Participants spread over wider geographies, regions
Density	Number and economic weight of firms (market share)	Dense cluster	Large number of firms with large volume of total sales
		Sparse clusters	Fewer firms or less substantial firms with lower economic weight
Breadth	Range of horizontally-related industries	Broad clusters	Variety of products in closely related industries
		Narrow clusters	One of a few industries and their supply chains
Depth	Vertically-related industries	Deep clusters	Set of related industries and supply chains
		Shallow clusters	Reliance on inputs from outside region
Activity base	Number and nature of activities in the value-add chain performed locally	Activity-rich	Many or most critical activities in value added chain of relevant industry performed locally
		Activity-poor	One or few activities in a given industry or set of related industries performed locally
Growth potential	Demand for products and services supplied by cluster, competitive position of cluster relative to internal and external competitors, availability of resources for growth (resource base)	Sunrise cluster	
		Noonday cluster	
		Sunset cluster	
Innovative capacity	Ability to generate key innovations that are relevant to competitive advantage	High-innovation	High degree of innovative capacity
		Low-innovation	Low level of innovation
Industrial organisation	Governance structures and relationships among firms in the cluster, including nature of relationship and distribution of power among firms		
Coordination mechanisms	Inter-firm relationships and how they are organised		

Source: McRae-Williams (2005) Enright (1996)

2.2.5.3 Elaborated Version of Descriptors

A cluster's potential is relative to where it sits within its life cycle. Hence, the growth potential dimension has been developed (see Sölvell, 2009; TCI, 2008; DCMS, 2008; OECD, 2008; Porter 1998a, 1990) to highlight the cluster's process of competition, internal dynamics and ability to attract resources from the outside.

An evolutionary process is also suggested in Rosenfeld's (2001, 1996a) and Enright's (2000a, 2000b) classifications. For example, a cluster can progress from a '*potential cluster*' to an animated '*working cluster'*. Sölvell (2009) and Rosenfeld (1997) develop this evolutionary notion and go on to suggest clusters follow life cycles. As the complexity of internal and external linkages develop – along with patterns of competition and cooperation and the integration of market and policy forces – clusters can grow and prosper. Likewise, as within the natural world (Kirk, 1975), products and services (Lehmann & Winer, 2005) and tourist destinations (Weaver & Lawton, 2006; Butler, 1980) clusters can stagnate and decline (Sölvell, 2009; Lafferty & van Fossen, 2005; Rosenfeld, 2002b, 1997).

The Victorian fine art cluster is classified as a 'mature cluster'. Maturity of the cluster is determined by its ability to be recognised both within its own network as well as acknowledged externally – that is, an identifiable cluster (Sölvell, 2009). Self-recognition and the ability to be identified contrast a *potential* or *latent* cluster.

As a dynamic organic network, a cluster's rejuvenation and growth depends on it developing its own specialism, characteristics and scale (DCMS, 2008). This organic growth strategy is also underpinned by the level of activity in terms of the flow of knowledge. In contrast, rejuvenation of a declining or stagnant cluster – through government intervention and policy – is almost impossible as these '*wannabe*' or '*policy driven'* clusters lack the favourable conditions for organic development.

In a cluster which is strongly influenced by the public sector – such as those in the fine art and cultural sectors – the role of government intervention and policy is open to debate (Huang, McDonald and Tsagdis, 2006; Raines, 2001). Huang et al., indicate that public policies are not strongly connected to either high levels of cooperation, or growth in industrial clusters. Raines (2001), on the other hand, contends that attention to economic realities and the impact of cluster theory has distracted from the cluster concepts key role – providing focus for regional development policy.

The role of government and the public sector can however be beneficial to the success of an effective *working* cluster and can extend its life cycle. The most effective way for this to happen is for government to act as a support network or ‘midwife’ (Andersson, Serger, Sorvik & Hansson, 2004, p.70) rather than acting ‘as a parent’ through intervention strategies. Both Enright (2000a) and Rosenfeld (1997) highlight this point with Enright (2000a, p.321) concluding that local policy should be directed towards helping ‘localise, deepen (and) broaden, activity-rich clusters and / or improve their innovation capacity …’. On the other hand, Rosenfeld’s emphasis is on the public sector’s role in cluster rejuvenation, growth and its self-sustainability. He argues that the public sector ‘helps the local cluster make connections to distant markets and global information’ (1997, p. 19). However, given that the Victorian government’s lead firm strategy ensures that the fine art industry’s development is shaped within its policy guidelines, policy-makers need to be careful in applying traditional cluster literature and classification systems as results may not be totally transferable between the public and private sector industrial clusters.

As a cluster matures, certain strategies tend to dominate, and economies of scale play an increasing role in the emergence of new technologies, the production of new occupations and skills and an ecology of large and specialised small firms (Lampel, Shamsie and Lant, 2006b). Over time, the level of dynamism within the cluster determines its growth path. Ultimately, some will stagnate and decline, while others will rejuvenate and experience a renaissance based on new technologies, new firms and the cluster’s ability to attract key personnel or resources from other locations (Sölvell, 2009; McRae-Williams, 2005; Rosenfeld, 2001, 1996a; Enright, 2000a, 2000b). The Victorian fine art cluster’s growth strategy reflects this rejuvenation stage.

Rejuvenation or the growth of a mature cluster is when the cluster enters into a process of international competition in both factor markets (attractiveness to new companies, people and capital) and final demand conditions and markets. Building connections with other clusters and other regions keeps new ideas flowing into the cluster and helps it innovate, diversify, and grow stronger (Sölvell, 2009; Rosenfeld, 1997). This is consistent with an 'organic strategy' (McRae-Williams, 2005; Enright, 2000a; Ffowcs-Williams, 2000) which is directed at the expansion and deepening of the existing economic base. This also reflects the growth strategy of the Victorian fine art cluster.

The decline of a cluster is almost always self-inflicted (Porter, 1990). An insular or inward looking cluster is closed to new ideas and knowledge and therefore lacks the interaction and interdependency necessary for growth and prosperity. As a consequence, a cluster's life cycle is not only determined in terms of production and its technological or organisational capabilities but also in its ability to act an open system. Hence, a cluster, particularly if it is geographically concentrated as is the Victorian fine art cluster, may contain the seeds of its own demise (Porter, 1990) in terms of its ability to collaborate with – or insulate itself from – various actors within its network.

While maintaining global connections is an important public sector function, co-location still plays an intrinsic role in a cluster's ability to grow and prosper. Interaction and information flow benefits from co-location (Maggioni, 2002) demonstrating that critical mass and carrying capacity are crucial to the cluster's growth path.

Cluster life cycles and the notion of evolving clusters (Sölvell, 2009; Lafferty & van Fossen, 2005; McRae-Williams, 2005, 2002; Rosenfeld, 2002b, 1997; ABS, 2002b; Bryant & Wells, 1998) is a key concept within this study which views the Victorian fine art cluster within the context of a changing environment. This study is therefore concerned with the cluster as part of a continuum rather than a static entity. It is this perspective that enables the Victorian fine art cluster to be recognised at a range of development levels. This in turn has implications for the identification and description of different cluster types. Table 2.11 develops the dimensions for describing clusters.

Table 2.11 Elaborated version for describing clusters

Dimension	Scope (Key Feature)	Activity Level	Description
Growth potential	Growing clusters will enter into a process of international competition in both factor markets (attractiveness on new companies, people and capital) and final demand markets. The more successful clusters are built on a combination of superior internal dynamics, including rivalry and intensive new-firm formation, and superior attraction on resources from the outside. Over time the level of dynamism within the cluster will determine its growth path	Emerging cluster	Motivated to locate near other similar firms and industries yields economies of scale and / or externalities which have significant market advantages. An emerging cluster can also combine factor advantages with early entrepreneurship.
		Mature cluster	Complexity of internal and external linkages develops – along with patterns of competition and cooperation and the integration of market and policy forces. Certain strategies tend to dominate and economies of scale play an increasing role.
		Rejuvenated cluster	Upturn onto a new cycle of rejuvenation based on innovative activity and outcomes from knowledge flows, information sharing and regional competitiveness.
Industrial organisation	Systemic character, governance structures and relationships among firms in the cluster, including nature of relationship and distribution of power among firms	Embedded Depiction	The role, activities and behaviour of cluster members in terms of cooperation among participants that are known to each other. Concerns collaborative relationships between firms, government and multilateral organisations. Depicts a collective system that requires deep structural interdependence between stakeholders. The cultural and absorptive capacity of a cluster reflects its systemic character.
		Asymmetric Competitiveness Perspective	Denotes the major differences in size and strategy between one dominant firm and multiple SMEs. Players work from a neo-classical 'atomised markets' perspective where firms work in isolation. Key player acts as a silo structure showing little evidence of spontaneous collaboration.
Co-ordination mechanisms	Inter-firm relationships and how they are organised	Systemic	Operational and strategic positioning enhances innovation and dynamism
		Limited	Operational and strategic positioning diminishes innovation and dynamism

Adapted from Sölvell (2009); Dowd (2006); McRae-Williams (2005); Dunning and Boyd (2003); Hubert H. Humphrey Institute of Public Affairs, (2002); Lopez-Belbeze (1999); Enright (1996).

The *industrial organisation* dimension is explained by two contrasting perspectives. An embedded depiction (Dunning & Boyd, 2003), reflects a modified alliance capitalism economic framework. Asymmetric competitiveness on the other hand describes a market situation where there is a large dominant firm and many small firms. Asymmetric competitiveness is made to capture the differences in size and strategy between multiple SMEs and a large dominant player. This market perspective is built on the premise of asymmetric competition (Lopez-Belbeze, 1999). Table 2.12 distinguishes between theories.

Table 2.12 Industrial organisation depictions

Embedded Depiction	**Asymmetric Competitiveness**
Collaborative firm behaviour	Isolated firm behaviour
Balanced competitive and cooperative activities	Little evidence of spontaneous collaboration
Collective / collaborative network and inter-firm relations	Self-interest with little inter-firm relationship. Competitive actions have different effects on the one rival depending who is taking the action
Technological diffusion usually in context to overall growth and health of cluster	Technological diffusion usually for efficiencies and problem solving and in context to the difference in strength and strategy of the different players
Deep structural interdependence b/w stakeholders	Universal laws of survival and natural selection prevail. Parallel existence and strategies while remaining separate and independent

Source: Dowd, (2006); Dunning and Boyd, (2003); Lopez-Belbeze (1999), Dunning (1997).

The objective of contrasting the role, activities and behaviour of cluster members is to identify possible power structures in a network. An embedded perspective would see interdependent players with common objectives; while asymmetric competitiveness reflects a dominant and dependent market structure (Vatiero, 2006) that comprises a lead firm with a competitive fringe. Both models agree that most firms are embedded in their local environment – a crucial element when trying to identify groups involved in knowledge transfer, information sharing and innovative activity.

While market structure can influence innovative activity, the formal and informal structures of the firm – and the network of external linkages that they have – also need to be considered. These complex inter-firm arrangements exploit complementarities and are often linked to development constituting an organisational innovation of great importance.

Innovation is considered one of the key factors underlying growth. Hence, the tension between innovation and change ensures that the two are inextricably linked (Helfat, 2000a; Porter, 1998a). A cluster's complex pattern of cooperation and competition (TCI, 2008, 2002; Rosenfeld, 2001, 1996a; Enright, 2000a, 2000b; OECD, 1999a; 1999b, Brandenburger & Nalebuff, 1996a), together with its critical mass of local knowledge and resources ensures the cluster's ability to innovate, adapt to change, and grow. Evolutionary economists such as Schumpeter (1939) called these 'innovation clusters' while contemporary thought suggests they be termed 'innovation systems' (OECD, 1999a, 1999b).

2.2.6 Summary

As groups of competing and cooperating businesses, clusters have been demonstrated to be an important source of innovation driven at the local level. Used as an analysis framework in this study, this chapter section provided a cluster definition, offered a number of approaches to clustering and discussed a range of theoretical models that identified and described cluster organisations. An elaborated version of descriptors focused on a cluster's growth potential, industrial organization and its co-ordination mechanisms in context to the notion of a cluster's life cycle and activity level.

Viewed from a systems approach the schematic map of the fine art economy was developed to describe an eco-system. This elaborated map illustrated a framework for understanding the Victorian fine art economy that benefits from proximity to and relationships with end-users, suppliers and support industries. As a dynamic organic network the importance of interdependency, inter-firm relationships and the conditions for innovative development are highlighted as key elements for sustainable growth and prosperity.

2.3 Boundary Spanning and Hybridisation

This section discusses issues of knowledge flow in the cluster. The benefits of boundary spanning in developing knowledge networks and the role of policy (the political role of knowledge) are particularly discussed. It builds on the notion that external linkages of firms (Rosenfeld, 2007; Nachum et al.,. 1999; Porter, 1998b; Swann, Prevezer & Stout, 1998) are a useful theoretical structure by examining the extra-cluster interaction and its influence on competitiveness. The discussion reviews this study's interest in regional development – not just the advantages of co-location, but to highlight the implications and potential of cooperative approaches between different actors (Tallinucci, Raich, Pechlaner & Abfalter, 2003). This integrates the concept of diagonal clustering (Michael, 2007; Poon, 1994), where the providers of complementary services generate further economies-of-scope that extend the breadth of the locality's product offerings and opportunities (Hall, Lynch, Michael & Mitchell, 2007). The hybridised competitive dynamics between the fine arts and its neighbouring clusters emphasise the importance of cooperation and competition (and a combination of the two) on innovative activity and how these can influence the development of an industry and region. Discussion also builds on the schematic map that was introduced in section one – and developed in section two – with a focus on the idea that a local cluster includes fragments of its neighbouring clusters. Finally, this section positions knowledge as the key to the process of innovation.

The focus on tourism arises as it is symbiotic with other industries (Ferreira & Estevão, 2009; Judd & Fainstein, 1999) and there is a strong interactive effect between business development, the fine arts and tourism. It is a complex phenomenon that is inter-related and involves interdependencies, energy flows and interactions with other systems. Many tourism definitions (Hall & Michael, 2007; Weaver & Lawton, 2006; Leiper, 2004, Michael, 2003; McIntosh, Goeldner & Ritchie, 2000; Zeppel & Hall, 1991) establish a link or relationship between parties (stakeholders) seeing it as one system or the sum of its parts. Understanding the tourism industry is necessary if analysts are to identify any spillover effects, be it knowledge spillovers, economic or political effects in urban and regional development.

Tourism activity, and the consequent role of the fine art and cultural industry as suppliers of the tourism product, is identified within this tourism system approach and context. It also identifies the dynamics, breadth and the diverse character of the industries and their hybridisation. Consequently, understanding the interactions and inter-relationships between the fine arts and tourism is important as tourism is considered one of the few industries that this narrow, (DCITA, 2002; Bagdadli, 2001) clearly identified sector, acknowledges and interacts with.

As a demand-side concept (ABS, 2009b; Tourism Victoria 2007a; Michael, 2002) and due to its service orientation (Rosenfeld, 2003b; Smith, 1998) recognition of the economic significance of tourism is challenging. In an attempt to measure its economic impact, the national value of tourism is determined by the ATSA – Australian Tourism Satellite Account (ABS, 2009b). A range of approaches have been used to identify the benefits of tourism on a region – employment is one such economic criterion. Fourteen industry groups (and the proportion of employment for each) have been identified in Table 2.13.

Table 2.13 Proportion of industry groups within tourism economy

Supply Side Industry Group (ANZSIC)	Estimated Proportion Used (%)
Travel agency and tour operator services	99.0
Accommodation	93.1
Cafés and restaurants	31.7
Clubs, pubs, taverns, and bars	19.1
Libraries, museums and arts	**15.9**
Road transport and motor vehicle hiring	11.7
Other entertainment services	11.4
Air and water transport	11.1
Rail transport	11.1
Retail trade	8.1
Casinos and gambling	6.3
Manufacturing	4.2
Education	3.8
All Other industries	0.8

Source: Tourism and Transport Forum Australia (2008).

The interdependent relationship between libraries, museums and arts and tourism, are formally established in economic terms and estimated at about 16% of tourism employment (Tourism and Transport Forum Australia, 2008). As suppliers of tourism products this recognition has implications for the potential of cooperative approaches (horizontal, vertical and diagonal) between the different industries and cultural tourism.

The Australian Government's (2004) Tourism White Paper identified tourism as a way to foster long term growth and has provided $AUS14.7million over a period of four years (2004-2008) for niche market development. Some niche markets identified a focus on cultural tourism which is frequently cited as a form of niche tourism (Novelli, 2005).

Seen from an ecological perspective the dynamics of the two industry systems can be analysed (Leiper, 2004; Judd & Fainstein, 1999). Culture and tourism, can then be viewed in terms of symbiotic relationships (mutually beneficial), independent (no impacts) or conflicting (damaging) (Leiper, 2004; McKercher & du Cros, 2002). Table 2.14 demonstrate possible relationships.

Table 2.14 Possible relationships between tourism and cultural assets

Cooperation / Collaboration						**Conflict**
Full Cooperation	**Joint Working Relationships**	**Co-existence**	**Parallel existence**	**Mild Annoyance**	**Nascent Conflict**	**Full Conflict**
Symbiotic		**Independent**			**Conflicting**	
True partnership	Realization of common needs and interests	Sharing same resource		Goal interference attributable to one stakeholder	Problems defying easy solutions emerge	Open conflict between stakeholders
Mutually beneficial for both sectors		Mutually beneficial but Separate/ Independent	Separate and Independent	Lessened satisfaction		Detrimental / dissatisfaction of other established player
Direct management intervention Likely imposed or heavily managed	Work to ensure that both interests are satisfied	Little cooperation or recognition of need to cooperate	Little or no contact	One stakeholder exerts adverse effects	Changing power relationships – emergence of one dominant stakeholder	Management vacuum (McKercher) Intervention by external policy-makers (Evans)
Begin dialogue; Knowledge spillovers and information exchange, rivalry limited, Complementors in creating the market (co-location)	Dialogue	Some dialogue; Knowledge spillovers and information exchange limited	Out of sight, out of mind.	Lack of understanding between stakeholders	Dominant stakeholder needs are detrimental to the other established stakeholders	Competing approaches and conflicting interests – Competition is a source of friction
Synergy – Networks of relationships are greater than sum of parts.				Little real conflict between stakeholder exerting power and other player	Detrimental to stakeholders and resources	
Mutually Interdependent						**Dependency / Dominance**

Adapted from: Evans (2006, 2003, 2001); Leiper (2004); McKercher et al., (2002); Smith (1998);

McKercher et al., (2002) argue that in terms of cultural tourism, partnerships between stakeholders are unlikely to evolve spontaneously; instead, they usually require intervention from a dominant management agency. Conflict, on the other hand, is most likely to occur in a management vacuum. In contrast, Evans (2006, 2003, 2001) expands on the issue of conflict and argues that intervention from external cultural city-imaging policies give preference for form over function where the diverse and localised cultural product can become homogenised at the expense of place-specific character and diversity of cultural content. Lampel & Shamsie (2006, p.280) contradict this 'form over function' argument, instead arguing that fusing diverse cultural elements (for example the fine art and tourism industries) increases economies of scale, while also eroding geographic and national boundaries. This breadth reflects a global perspective. These contradictorily arguments highlight the opposing views and the managerial dilemmas faced by stakeholders of mature destinations such as modern cities and a global economy.

2.3.1 Hybridisation and Place Competition

Focusing on the re-development and expansion of its focal firm, the Victorian fine art cluster has been a key element in the rejuvenation of the state's inner-urban districts and their creative industries. The direction of this growth has been significant with Government policy (Department of Premier and Cabinet, 2009; Arts Victoria, 2008, 2003a) guiding relationships and overlap between its neighbouring culture, recreation and leisure clusters. This hybridisation has seen the reputation of the fine art cluster increase in terms of its image, ability to attract new players and the development of strong reciprocal relationships between other cities and its fine art institutions (Vaughan, 2008a). Tourism in general and cultural tourism specifically, has played a vital role in this rejuvenation.

As an integral component for place competition and regeneration strategies (Evans, 2009; Hall & Michael, 2007; Rath, 2007; Hamnett & Shoval, 2003) art museum construction and conversion are key activities in a city's ability to transform. Hence, understanding the interdependencies and competitive dynamics between the fine art industry and its neighbouring clusters provides a context for discussion.

Networking and interdependency within and between clusters also highlights 'new growth theory' and the connection between knowledge, human capital and economic growth (Florida, 2005; Romer, 1990). This interaction and interdependency between clusters and networks suggests the opportunity for rejuvenation. It also offers an opportunity for what genetic scientists refer to as 'hybrid vigour' (Kirk, 1975) – a concept identified by Porter (2003, 1998a) and McRae-Williams (2005) in their discussions of vibrancy and the likelihood of it occurring when clusters intersect.

Hybrid vigour (Kirk, 1975) describes the increased vitality – or other superior qualities – that arise from the crossbreeding of genetically different organisms with the outcome of a new superior individual. In this case, by combining the insights, skills and technologies of the fine art cluster with its neighbouring clusters, the virtues of both may ensure there is a greater possibility to obtain a 'better' individual. This hybridisation also leads to more dynamic synergies and may add and extend boundaries of the fine art cluster to include culture, leisure and entertainment in addition to creative industries and enterprises. Hybridisation can also ensure that network complementarities are invigorated which in turn develops a propensity to share. In contrast, the power of competition and rivalry between co-located clusters can unleash innovation and drive progress in 'output' (product development) and 'input' (knowledge transfer and information sharing). This in turn adds to the region's overall health and prosperity and creative use of networks. Within the context of the Victorian regional fine art cluster, the interconnection between these complimentary clusters also draws attention to developing vibrant creative regions.

2.3.2 Hybridisation and Urban Destinations

Modern cities play a key role in urban economic development efforts and prosperity (Richards, 2007, 2001; McCarthy, 2002; Crane, 2002) due to their capacity to establish networking opportunities and external communication links which are critical to innovation. As concentration points for human interaction, they offer access to resources and the diffusion of ideas. This in turn provides opportunities for learning, knowledge exchange and spillovers. Art museums, on the other hand are playing an increasing role in developing a city's capacity for social networking, creating a sense of place and for engaging creative communities (Arts Victoria, 2008, 2003b). They are also becoming 'destinations' in their own right (NGV, 2008b, p. 23). This enhances the inner-city's liveability and attractiveness for human interaction – both on a formal and informal level.

The role of the fine art and broader cultural sector has been shown to drive economic and social development, as well as innovation and social cohesion (KEA European Affairs, 2006). Cities with healthier economies and a high degree of diversity are more attractive to private investment, exogenous development (McCarthy, 2002) and creative workforce (Florida, 2002) that contribute directly to economic growth. Conversely, the lack of diversity, tolerance, and a knowledge-based business base leads to a 'brain drain' of this population to more attractive communities.

Interconnections and interactions also enhance the brand image of a region as a diverse and culturally developed destination by reinforcing its 'pull' factor (Weaver et al., 2006; Goeldner & Ritchie, 2003; Klenosky, 2002; Swarbrooke, 1999). The pull effect of a destination is the ability to draw visitors. Many tourism researchers agree that attractions are the most important element of the tourism system and the key dependent variable in the development of a tourist destination (Weaver et al., 2006; Goeldner et al., 2003; Swarbrooke, 1999; Gee, Makings & Choy, 1989; Smith, 1994). The advantage of integrating the fine art and tourism networks ensures a new focus in which destination marketers and managers can utilise the physical presence of culture to influence and attract potential business, industry and visitors.

The natural advantages of a city's location, its cultural infrastructure and its service offerings are also enhanced by this hybridisation in terms of the tourism product, regional development and a destination's image. These offerings vary from 'high art' such as internationally significant events through to popular cultural practices that have less national / international significance. However, it is important to note that it is often the tourists' purchases of these service offerings that make quality facilities and programs available to the resident population which it may not otherwise afford (Blank, 1994).

2.3.3 Tourism in context to the Fine Arts and Culture

Similar to the fine arts, tourism is commonly thought of, and referred to, as an industry. However, the defining element of tourism is not the type of commodity produced, but the type of consumer (Tourism Victoria, 2007a; Michael, 2007; ABS, 2006a; Hall & Michael, 2007; Hall, 2005; Leiper, 2004; Smith, 1998). Tourism is therefore more accurately termed 'tourism activity' (Tourism Victoria, 2007a; ABS, 2006a) rather than in terms of the activity of the supplier and thus seen as a demand-side concept (ABS, 2009b; Tourism Victoria 2007a; Michael, 2002). Worth noting however, that this is the point where tourism and the fine art industry converge, as each 'tourism activity' involves the acquisition or use of a commodity for final consumption by the visitor. In this thesis the commodity – referred to as the product – are the fine art events and exhibitions while the supplier of the product is the fine art industry and the cultural domain.

The intersecting point of tourism and the fine arts forms the essence of cultural tourism (Sigala & Leslie, 2005; McKercher et al., 2002). This intersection is also an important source of cluster vibrancy (McRae-Williams, 2005; Porter, 2003, 1998a) and can act as a vital ingredient in a destination's development. Due to its image enhancing capabilities, a region's appeal can subsequently attract funding. In terms of the benefits to the host community, often included in many definitions of tourism (Leiper, 2004), it can also add to a city or region's 'liveability'.

This junction, where the two industries intersect, creates the vital element or pull factor (Weaver et al., 2006; Leiper, 2004; Jansen-Verbeke & van Rekom, 1996; Uysal & Jurowski, 1994) of the hybrid industry, cultural tourism. These pull factors focus on the supply-side of tourism as they are product or destination-based (Weaver et al., 2006) as opposed to the demand-side of the tourism equation (that is, market or origin-based forces). Hence, while tourism as an industry is a demand-side definition based on consumers it also has a resource and supply-side logic. Table 2.15 compares these orientations.

Table 2.15 Tourism perspectives and outcomes

Perspective	Orientation	Outcome
Supply- side	Product or destination based	Agglomeration of similar businesses creates critical mass that attracts suppliers who share resources.
Cultural	Resource based	Cultural enterprises increasingly group together in cultural clusters, pooling resources into networks and partnerships.
Demand-side	Market or origin based	The diversity of attractions and infrastructure enhances product development of urban environments and its consequent attractiveness to start-ups, industry, visitors and potential labour markets.

Source: ABS (2009b); Australian Government (2007); Richards (2007); Lampel, Shamsie & Lant (2006a).

2.3.4 Culture in Urban Environments

Managing the contradictory role and relationships of culture and experience-orientated industries such as cultural tourism, with the complexities of global cities has become a key research issue in urban theory (UNESCO, 2008; Richards, 2007; Michael, 2007; Scott, 2006c; KEA European Affairs, 2006; Rosenfeld, 2001; Meethan, 2001; Tomlinson, 1999; Tyler, Guerrier & Robertson, 1998). While globalisation involves increasing interconnectivity, new networks and information flow, it also appears that the local (culture, place and space) is assuming a greater degree of prominence (Rath, 2007; Lampel & Shamsie, 2006; AHURI, 1995). This differentiates competing metropolises which must be attractive to its host community, visitors, potential workforce and start-ups (Richards, 2007; Wu, 2005; Meethan, 2001).

In an effort to compete on a global market, emphasis has been strongly directed toward cultural tourism development and the supply of ‘new cultural facilities’ (Richards, 2007, 2001) for destinations. This supply-side logic can have positive effects in the importation of cultural products – such as fine art exhibitions – from elsewhere. This not only develops scope and scale of products available for consumption but is beneficial in connecting national and global networks. Such networks, bound together in complementary and competitive relationships, also add to the benchmarking efforts against other rival cities within the network.

2.3.5 Interdependency and Industry Links

Unlike other industries that produce their own distinct products and services, tourism produces a vast array of ‘outputs’ that are highly differentiated (Michael, 2007; Leiper, 2004; Ioannides & Debbage, 1998). This diversity reflects the multiple products and services from a range of suppliers who cooperate to develop a tourism product. It is a heterogeneous sector, with a broad range of industries, albeit ones which have a degree of linkage (Sigala & Leslie, 2005; Ioannides & Debbage, 1998).

While tourism cannot be thought of as an industry in the traditional sense (Smith, 1998), the functional linkages suggest otherwise. It is these functional linkages between heterogeneous sectors that help facilitate ‘tourism activity’. According to ABS (2006a) definition, ‘tourism activity’ involves the acquisition or use of a commodity (a good or service) for final consumption by the visitor. Each activity or 'transaction' comprises three essential elements:

(i) the visitor undertaking the activity or transaction – referred to as the **consumer**,

(ii) the commodity involved in the activity – referred to as the **product,** and

(iii) the body supplying either the commodity or the environment in which the event takes place – referred to as the **supplier**.

The underlying principle of this demand is that for an activity to be considered a ‘tourism activity’ the three elements must be involved and the linkage between each element must be a linear one. As an industry based on consumers it takes the following form (ABS, 2006a):

Consumer $\longrightarrow$ Product $\longrightarrow$ Supplier

The fine art industry act as suppliers of the tourism product – a broad-based product that encompasses the continuum of mass tourism to a smaller niche market of cultural appreciation – with diverse user-groups reflecting the range of interest. These user groups include the host community (non-tourists) and visitors who travel to consume the fine art product. Cooperative behaviour is therefore intrinsically important to both industries due to their interdependent nature.

2.3.6 Relationship Paradigm

The aim of this longitudinal study is to focus on the dynamic inter-relationships between a grouping of fine art and other firms when the dominant firm is dislocated and to predict how this temporary situation affects the interactivity within the cluster and externally. Hence, understanding the intra and extra-cluster relationships and how they are organised becomes a key to recognising the cluster’s industrial organisation.

Concentrating on the core issues relevant to this thesis, Figure 2.9 illustrates the relationship paradigm that has been developed. This figure helps to explain the complexities and distinctive position of the fine arts and its extra-cluster interdependencies (for example with tourism) and its relevance to the scope of its co-ordination mechanisms. A symbiotic relationship suggests an interaction between two different parties with a close physical association, usually to the advantage of both. This mutually advantageous association exists between industries whereby tourism is seen to be complementary to the overall management objectives of the fine arts – and vice versa. However, symbiosis is rare and only occurs as a result of direct management intervention that is likely to be imposed and heavily managed. Consequently, the issue of whether this is a mutually cooperative relationship might be questioned.

Full Cooperation ←	**Joint Working R/ships** ←	**Co-existence**
←		→
Symbiotic Relationship		**Independent Relationship**

Adapted from McKercher et al., (2002).

Figure 2.9 Relationship paradigm for fine art cluster

McKercher et al., (2002, p.17) may confirm the issue of mutual interdependency within the fine art cluster by stating that ‘true partnerships’ between stakeholders include full cooperation and collaborative joint working relationships and ‘is easily achieved in purpose-built facilities such as museums, art galleries, or heritage theme parks …’. Tourism activities and experiences can be crafted around a desired set of objectives which can blur the boundaries between cultural and entertainment sectors to provide an edutainment-orientated product (Stanbridge, 2004; Evans, 2003, 2001; McKercher et al., 2002). This places the *NGV* in good stead in terms of product development and growth potential. Building internal dynamics, final demand markets while attracting resources from outside also reinforces the *NGV*’s dominant position within the fine art cluster. Section 2.4 offers further deliberation of this relationship paradigm within the context of mutual interdependence and dominance of the network of relationships.

2.3.7 Contrasts between Industries

Tourism's fragmented and diverse industry is in contrast to the close-knit, specialised fine art sector. Table 2.16 compares the fine arts to the broader tourism cluster.

Table 2.16 Comparison between fine art and tourism industries

Fine Art Industry	Tourism Industry
Narrow	Broad
Integrated	Fragmented
Cooperators – Prospective allies	Competitors
Rivalry amongst firms	Rivalry amongst firms
Informal relationships not limited to geographic area; Partnerships and trust developed through informal relationships and longevity of firms within the industry	Informal relationships limited to geographic area
Owner / manager reputation crucial to survival	Owner/manager reputation not significant
Strategy of development, sustainable growth Marketing and Management orientated	Strategy of existence / survival Operation orientated
Specialised	Diverse
Strong informal r/ships based on r/ship marketing	Myopic existence based on operation of SME
Small firm networks (SFN) produce forces that are collective; enhance multiple relationships; provide complementary products; increase information flow	SMEs pursue localised self-interest and form direct relations; Focus attention on specific linkage involved, with little thought given to how the formation of these linkages fits into the network as a whole
SMEs broad interest in industry is political and commercial	SMEs lack interest in systems approach
Strategic partnerships between parties	Partnerships limited – place and industry specific and/or marketing/lobbying
Government marketing and research bodies	Government marketing and research bodies
Work cooperatively in strategic partnerships and industry strategies	Competitive – partnerships limited to marketing / lobbying, highly specific or place specific

Source: Hall & Michael, (2007); Michael, (2007); DCITA (2002); Weaver et al., (2006); Lampel et al., (2006a); Leiper, (2004, 1990); Smith (1998).

However, both industries do have similar governance structures with large government management agencies and policy-making entities playing lead roles. The contrast between SMEs is the key distinction between the two players. In terms of tourism suppliers, Smith (1998, p.33) argues:

> Owners and managers of small firms are usually more concerned with day-to-day operations rather than strategic partnerships and industry strategies, and often do not have formal business training. The operation may be a family business started by an individual who had the entrepreneurial skills needed to create a business, but not necessarily the political intuition or experience, or an interest in forming strategic alliances to promote industry interests.

While owners and managers of small commercial firms within the fine art industry accord with Smith's description, there are some discrepancies due to the specialist nature of this narrow and clearly identified sector. So while many commercial fine art SMEs are family businesses with entrepreneurial founders, the credibility and reputation of these members are vital and often extend from one generation to the next. This family orientation, the distribution process (which include exhibition openings that both competing artists and buyers attend) together with SMEs' extensive knowledge of the fine arts, ensure relationships are often informal and ongoing (Barrowclough, 2006). This in turn can contribute to community strength and its social capital (ABS, 2004).

> … [This] relates to the resources available within communities in networks of mutual support, reciprocity, and trust … (it) can be accumulated when people interact with each other in families, workplaces … and a range of informal and formal meeting places.

Informal relationships and the trust within its own community are a critical resource in cultural industries (Lampel & Honig, 2006) and essential in forming formal strategic working partnerships. These joint working relationships help strengthen and extend the scope of cluster activity and knowledge flows through boundary spanning (Rosenkopt & Nerkar, 2001; Staber 1996b; Liebeskind, Oliver, Zucker and Brewer, 1996; Conway 1995).

2.3.8 Boundary Spanning

Boundary spanners play a critical role in blurring the interface between businesses and clusters by creating opportunities for interactions both within and between industries (Teece 1999; Aldrich, 1977). They can comprise of individuals, networks and /or communities and form a crucial connective link by developing the scope of the cluster and its inter-organisational networks. Table 2.17 describes three types of boundary spanning entities.

Table 2.17 Boundary spanning entities

Entity	Description
Individuals	Boundary Spanning Individuals – including artists, entrepreneurs, managers, museum directors, donors; sponsors; government agents; funding agency personnel; gallery directors; art auction house representatives; valuers; curators and art dealers.
Networks	Boundary Spanning Organisations – SME networks (commercial and social); Industry development agencies; Trade Associations.
Communities	Host community (government, business and local); Indigenous and non-indigenous fine art communities.

Boundary spanning moves knowledge across boundaries (Rosenkopf & Nerkar, 2001; Johnson & Chang, 2000) and can be personal or informal social networks (Scott 2006a; Liebeskind et al., 1996; Bowen & Schneider, 1985) where sources external to the organisation add to the development of innovation (Conway, 1995). Boundary spanning relationships are an important asset in terms of information sharing, efficiency and understanding a complex, dynamic market (Ford, Gadde, Hakansson, Lundgren & Snehota, 1999). However, within the fine art and cultural industries, management initiatives (Shamsie, 2006; Rentschler, 2002, 2001; Teece, 1999) and organisational structure and size (Vatiero, 2006; Lampel et al., 2006a; Gettler, 2005; Geroski & Markides, 2005; OECD, 2001b, 1999a; Acs & Audretsch, 1990) can also play a key role in terms of innovation and how quickly and comprehensively knowledge is shared and change implemented.

Boundary spanners help groups work as an open system – where a group of inter-related, interdependent and interacting elements together form a single function. Making and reinforcing connections between stakeholders by individual boundary spanners and organisations becomes a crucial link in developing trust and participation – not only within the cluster but between traditionally disparate industries such as tourism and the fine arts. The interaction between individuals, communities and networks is important to a cluster's ability to function interdependently.

The connections made by boundary spanners increase learning and flexibility by moving knowledge across margins. Within the fine art domain they also protect and support the more individualistic values of artists, while simultaneously working to buffer more conventional, formalised organisations from high levels of uncertainty (Lampel et al., 2006a) from these supply networks. Such complex systems of independent, diverse units (Scott, 2006a) that are linked by these informal understandings and flexible connections are argued to be a particular characteristic of cultural industry firms.

2.3.8.1 Individuals

An art museum director and / or curator's ability to 'bridge the gap' between the fine art, government bodies and other industries is often the consequence of informal connections. The *NGV*'s approach to audience and curatorial development together with the personal relationship style of past and current directors can help develop trust between tourism, government and fine art entities as well as broaden the scope of the state's profile as a tourist destination. In an industry that is competing against other state galleries for sponsorship and philanthropy – as well as wealthy and determined private collectors for new acquisitions – informal interactions outside the marketplace can ensure active channels of communication and trust. These informal connections can be the contributing factor in the value creation process in terms of a gallery's profile, reputation and overall attractiveness to visit.

The personal leadership style and reputation of individuals can either enhance or diminish dynamism within and between players. Key personnel can reinforce the operational and strategic positioning of their institution to their advantage or for the benefit of the collective. The *NGA* director’s (Radford, 2005) commitment to creating partnerships with smaller art museums is evidence of an entrepreneurial leadership style that can further the opportunity to boundary span. However, lack of accommodation among rivals can slow or block interaction between players and subsequent knowledge transfer and competitive upgrading (Porter, 1998a).

2.3.8.2 Networks

Several authors (Evans, 2009; KEA European Affairs, 2006; NESTA, 2006) have suggested that cultural and creative industry clusters are different from other industrial clusters that work within the market driven economies. Particularly relevant is the notion that cultural clusters combine both social as well as profit driven motives. Within the fine art domain both formal and informal networks play a critical role in the potential to drive economic and social development as well as innovation. Due to the longstanding social connection between players and family orientation of SMEs, the capacity for information sharing and knowledge flow within the cluster system is significant. Moreover, these social and commercial networks extend to – and with – other sectors stimulating rivalry and further innovation.

Industry development organisations are a crucial function in the fine arts’ competitiveness and continued innovation process. As a collective voice for the fine art cluster, such networks encourage the flow and exchange of ideas between individuals, institutions and communities and assist in establishing benchmarks of commercial practice (NAVA, 2007). One such boundary spanning network that actively promotes learning and networking within the fine art cluster is ACGA. This commercial gallery association's primary role has evolved from one that promotes, protects and represents the fine arts to one that develops the international market (ACGA, 2007). Its introduction of a biennial art fair to Melbourne (*MAF*) has been a key incentive in the development of the regional and industrial fine art clusters and the expansion into the tourism sector.

Developing productivity and growth of specific industries (such as fine art or tourism) or industry segments (such as cultural tourism) is crucial in enhancing international competitiveness (Porter, 1998a). The addition of the *MAF* to the pre-existing fine art cluster and its networking processes has added value to the industry and city. *MAF* offers an avenue for boundary spanners to meet and exchange information – an advantage based on proximity and the ability to have close contact. Thus, the cluster (Porter, 1998a, p.184):

> … becomes a vehicle for maintaining diversity and overcoming the inward focus, inertia, inflexibility, and accommodation among rivals that slows or blocks competitive upgrading and new entry.

International contemporary advocates such as collectors or curators are lured to Melbourne and its art fair (Strickland, 2006a) with the prospect of both buying art and talking about it within local and transnational circles. Moreover, such opportunities offer another avenue for marketing and selling high-end contemporary art. In this context, the complementary interaction between global and domestic players contributes to an enhanced level of specialisation while bolstering the image of 'cultural Melbourne'. *MAF* typifies the level of unity between commercial, non-profit and government bodies where competitors manage to cooperate and collaborate to achieve mutually beneficial goals – be it a tourism product or a fine art instrument that develops demand conditions. These synergies between disparate networks provide evidence of the inherent value of art fairs and exhibitions as a vehicle for boundary spanning efforts and benchmarking opportunities. Rosenfeld (2002b, p.11) throws light on the benefits of trade associations such as ACGA:

> Clusters that have either organised themselves into some association or use existing associative venues (such as *MAF*) to actively promote learning and networking thus expand their external economies.

So while the territorial extent of the Victorian fine art cluster is limited, such innovative action extends geographically to encompass much of the nation with a further international reach. This complimentary role of external local and global learning networks (Faulconbridge, 2007) furthers the notion of cross- boundary knowledge flow. The director of a university fine art museum in inner-Melbourne elaborates on the important boundary spanning role of *MAF* (Coslovich, 2003, p.5):

> … the Fair plays an extremely important role in bringing contemporary art to a broader audience, demonstrating the diversity of art practice, and showing Australian art to international visitors …Speaking as an institution (that participated in the event), the last art fair gave me the chance to go to (more than) 20,000 … people outside my own building, in a larger context than I would usually operate in.

2.3.8.3 Networks and Communities

The co-existence of actors embedded in a community (where tacit learning processes take place locally) and those selected providers located outside the local milieu (where knowledge is gathered by investing in building channels of communication) provides opportunity to enhance competitiveness (Bathelt, Malmberg & Maskell, 2004). Such attained knowledge may provide firms 'located in outward-looking and lively clusters with a string of particular advantages not available to outsiders' (Bathelt et al., 2004, p. 31). Moreover, developing demand conditions through art events and small firm networks (SFN) of specialists can increase the level of sophistication of competition and local supply networks. The importance of SFNs in Australia's northern regions and its city of Darwin (McCulloch, S. 2007, p. 21) emphasises this point:

> Darwin has become the hub for the trade in indigenous art with the best new work from the nation's remote rural communities, as well as work by urban artists, arriving in the city for a multiplicity of art

> events surrounding the 'National Aboriginal and Torres Strait Islander Art Award' (NATSIA) … Along with the NATSIA award and individual exhibitions held in a dozen galleries around town, a three day art fair was held … to capitalise on the influx of dealers and collectors from the southern states. It was organised by Maningrida Arts and Culture manager and is intended to become an annual event. It featured work from twenty (20) Northern Territory community arts centres.

The exhibition of NATSIA works has been the event to which collectors, dealers and the interested public look to gauge new trends (McCulloch, S. 2005) and is significant in strengthening links and levels of trust between producers and dealers. Supplementing this advantage is the geographic location, distribution channels and the context of artists' work which all add to the diversity and innovative capacity of the Northern Territory's fine art industry and the depth and breadth of the national fine art cluster.

The SFNs surrounding the Bundoora Homestead Art Centre in outer-metropolitan Melbourne also acknowledge the activity base, growth potential and innovative capacity of its own region's indigenous art segment. Its 'Victorian Indigenous Art Prize' has not only helped develop demand conditions but has acted as an important impetus in acknowledging the existence of contemporary indigenous art in the state of Victoria. As a consequence, other co-located organisations have benchmarked their activities against this new innovative activity and incorporated similar art prizes in their operations or, as in the case of the *NGV*, acquired works for their own collections.

Acknowledging contemporary indigenous art is a relatively new phenomenon in Victoria's fine art cluster (NGV, 2005b, 2005c; McCaughey, 2003). The recognition of its own state's indigenous activity offers potential for future growth as well as a dynamic product that can rejuvenate the region's local identity. This competitive advantage reinforces the strength of SFNs (Lampel et al., 2006a) in motivating public action and policy.

2.3.8.4 The Role of a Lead Firm

Social inter-linking is the key to innovative activity (Liebeskind et al, 1996) as firms can increase both their learning and flexibility in ways that would not be possible within a self-contained hierarchical system. However research shows that there is considerable variance among clusters with respect to the frequency, nature and effectiveness of hybridisation (Lampel & Shamsie, 2006; Glynn, 2006) and inter-firm knowledge exchange (Arikan, 2009; Mesquita 2001; Malmberg & Power, 2005; Gordon & McCann, 2000). Arikan (2009) for example suggests the number of opportunities for inter-firm knowledge exchange is affected by the cluster's life cycle stages, structure, or product attributes.

The cluster's systemic character (OECD, 1999a) and lead firm strategies can also be critical in its ability to engage with external knowledge sources. Hence, the capacity and leadership style of a dominant player can be significant in determining a cluster's ability to network. Arikan (2009, p. 669) argues:

> In clusters where there is a lead firm, the lead firm may act as the knowledge broker within its partner network.

This can signal greater connectivity between partner cluster networks (such as tourism) and assure an activity base that is performed locally. However, it may not develop trust or 'useful' tacit knowledge within its own cluster. Subsequently, while the range of horizontal relationships are broadened – internally, relationships or knowledge is not improved. So while lead firm strategies may be identified as highly cooperative in extra-cluster relationships, internally it may only co-exist as an independent structure within the cluster's system.

2.3.8.5 The Role of Policy

Cluster based policy (OECD 1999a, 1999b) is critical in limiting inefficient knowledge flows and systemic imperfections between actors and their external knowledge networks. Thus, the aim of policy (OECD, 1999a, p. 418) is to:

> … create favourable framework conditions for the smooth and dynamic functioning of markets … and the externalities associated with investments in knowledge.

Contrary to the policy of intervention, the primary role of government (OECD 1999a) should be threefold. This includes acting as (i) a facilitator of networking; (ii) a catalyst of dynamic comparative advantage; (iii) an institution builder, creating an efficient incentive structure to remove systemic inefficiencies.

The circumstance that dictates a policy of intervention distinguishes the fine arts and cultural sectors from most other market driven industries. Instead in these domains policy is used by government in setting national and state priorities; formulating its vision for the future and deciding on the actors to be involved (OECD, 1999a). In this study the lead actor identified by the Victorian Government is the *NGV*. The State's policy response to developing interaction between actors in the system is to use such a key player as a 'broker' or boundary spanning entity to provide a platform for dialogue and facilitate cooperation (Arts Victoria, 2003a; Tourism Victoria 2007a). This is clearly evident within the Victorian fine art cluster and cultural tourism networks and their knowledge exchange efforts.

The Victorian fine art domain's top-down approach appears to be restricted by more traditional mechanisms of business-government interplay, its vertical relations and a policy of intervention. Hence, to engage in new public-private initiatives that promotes self-organisation, networking and horizontal relations (to include industries such as tourism) a 'pragmatic approach is needed' (Larosse et al, 2005, p.7). This method combines a basic understanding of the 'new network economy with bottom-up experience and learning'. Such arrangements create broader network structures and hybridisation; involve constant interaction; open information channels and greater trust. Compared to hierarchies, such alliances or networks call for negotiation rather than authority and emphasise boundary spanning. This would see the role of policy that adopts an active brokerage role (OCED, 1999a, pp. 394–395) 'to initiate and manage collaborative networks' and identify 'cluster opportunities by bringing together supply and demand and providing strategic intelligence'. This in turn positions the role of policy as a key to knowledge transfer and to the process of innovation.

2.3.9 Summary

This section considers knowledge flow and the benefits of boundary spanning in developing knowledge networks. The cluster's systemic character and industrial organisation's effect on the level of involvement in localised collective learning and new knowledge development are also explored. However, the role of policy and the dominant firm were also shown to have relevance to the cluster's ability to access external sources of knowledge.

This section places the literature of knowledge networks and cluster activity into the context of this study. It builds on the schematic map introduced in Figure 2.2 with its focus on the notion that the local cluster includes fragments of its neighbouring clusters. It also explores the opportunity for competitive advantage and role of boundary spanning in extending the reach of the cluster into broader flows of information and knowledge. The conclusion reached is that boundary spanning has an important positive outcome that can connect dissimilar clusters and can lead to dynamic hybrid synergies and new product development. Consequently, while it is easy to identify the role of industry development agencies, SFNs and individuals in this positive light, the following section will explore the lead player's role in enhancing or diminishing dynamism and subsequent innovation.

2.4 Clusters and Innovation

Clusters have demonstrated to be an important source of innovation driven at the local level (OECD, 2008) and a key factor underlying growth, structural transformation and ability to adapt to change. As change is the core concept within this study, this section's focus is pitched toward the influences of innovative activity. These influences include the cluster's configuration and the role, activities and behaviour of its members. Location and its home-demand conditions also play a persuasive role in the functioning of the cluster. The complex nature of innovation ensures that there is no straightforward way to analyse it. Hence in this respect it is valuable to analyse innovation from a micro-level perspective as reflected in the internal dynamics of the local cluster. This view of innovation not only analyses market structure but also relates to the cluster's organisational structure, behaviour and firm boundaries.

The innovation systems approach (OECD, 1999a, p.11) offers two essential dimensions. First is its 'systemic character' – the intrinsic nature and cultural and absorptive capacity of the cluster. This can be influenced by the 'complex interaction between various actors and institutions', their interconnections and behaviour. Because innovation processes are institutionally embedded in the setting of systems of production, these groups help shape a cluster's distinctive make-up. Second, the 'networking and interdependency' dimension focuses on the interaction between different actors in the innovation process including between suppliers of specialised inputs, users and producers; and between businesses and the wider research community. Influenced by the cluster's configuration, these critical elements are essential in knowledge transfer and successful innovation. The unifying thread is the perception that innovation, and the technological and organisational changes associated with it, are the key drivers of long-run economic growth.

Innovation is substantially shaped by agglomeration characteristics, be they technological, industrial or geographical (Hauknes, 1999). Researchers distinguish between a cluster's ability to produce advantage as 'static' or 'dynamic' (Perry, 2005) or 'hard' or 'soft' (Rosenfeld, 2007) externalities. While the static or hard advantages is to gain productive efficiencies (Sölvell, 2009; Florida, 2005; Porter, 1998a; Marshall, 1920) based on traded interdependencies, the dynamic, soft advantages may be the stronger force for clustering (Rosenfeld, 2007). This is due to the latter's support for inter-firm relationships and higher levels of social capital. As technology and talent are highly mobile factors, the result is dynamic transient 'flows' moving into and out of places.

Because innovation processes are institutionally embedded (TCI, 2006; Rosenfeld, 2001; Kaufman, Wood & Theyel, 2000; Ahuja, 2000; Mytelka, 1999; Porter, 1998b; Staber, 1996a), the co-existence of competition and domestic rivalry accelerates the pace of innovation, the rate of knowledge diffusion and spurs dynamic improvement. However, should domestic rivalry ebb – and the pressure to improve and adjust be lost – players may become 'pliant or lose sophistication' (Porter, 1998b, p. 171) rendering the local cluster to become insular and performing as a closed, uncooperative and inward-looking system.

An effort to enlist government support is often a reflection of diminished rivalry. This can lead to protection or insulation from competition with the result of a slowing rate of improvement, innovation and dynamism (Porter, 1998b). However, rather than losing its competitive position, successful national industries (such as the fine art sector) often gain political power and influence.

The Victorian government's support of the local fine art cluster reinforces its close operational and strategic relationship, while its lead firm strategy ensures that the industry's development is shaped within policy guidelines. While such governance mechanisms can develop cooperation and opportunities for inter-firm knowledge exchange (Arikan, 2009; Dhanaraj & Parkhe, 2006; Chaudhri & Samson, 2000) it can also be detrimental to the cluster working as a ‘system’ as most organisations engaged in the formation of direct relations focus their attention on the specific linkage involved. This self-interest can limit the level of innovation and dynamism within the cluster and distract from the network as a whole. Moreover, it can also generate the following gains for the key player (Lampel & Honig, 2006):

- improve its position within the network;
- increase the density of its ties to the rest of the network;
- influence the flow and sharing of information;
- capture more resources flowing into the network;.
- influence development of the network in line with its own policies or values;
- increase its dominance within the network by externalising policies – subsequently SMEs are likely to act under its hub umbrella rather than pursuing their own independent policies.

Hierarchical control by the lead firm can replace institutional norms as the dominant coordinating mechanism for inter-firm knowledge exchange. This in turn has repercussions for interactions which can become limited to a few firms.

2.4.1 The Pace of Innovation – Cooperation and Trust

Central to the notion of innovation systems is that the overall performance of an economy depends on how actors interact with each other and the government sector in knowledge production and distribution (Gregersen & Johnson, 1997). The pace of innovation is enhanced by proximity and the intimate connection between players and institutions and their consequent cooperation and trust (RRI, 2008; Storper, 1995; Porter, 1990).

Dei Ottati (1994) distinguishes between cooperation and trust, and cites cooperation as collective behaviour and trust as personal capital. However, for these concepts to succeed they need to be both personal and collective (Danson & Whittam, 2001) and developed to such an extent that they become the norms of behaviour. These practices enable the key actors to interact in an efficient manner and facilitate free and open information flow – reflecting a whole cohesive system. The cluster systemically works together toward a collective vision (Rosenfeld, 2001), where, due to co-location, trust is developed ensuring greater exchange of industry-specific knowledge and diffusion of new ideas and technologies. Sustained interactions and associative behaviour with other firms and institutions build on this trust, enhancing collaboration, connectivity and creating synergy.

As dynamic, organic networks a cluster is identified by the strength of these ‘spillovers’ (TCI, 2008, 2006; Porter, 1998c, 1995) and their importance to productivity and innovation, and consequently they encompass vertical, horizontal or institutional linkages. These spillover effects determine the cluster boundaries (which are continually evolving and shifting) and arise from a type of co-opetition (Brandenburger & Nalebuff, 2002, 1996a) among co-located firms. This structure and behaviour are a unique means for businesses to achieve the flexibility necessary to remain competitive.

The term ‘knowledge spillover' involves transfer through formal and informal networks. This enables interactive learning and an ‘absorptive capacity’ (Bathelt et al., 2004; Thomas, 2000; Lagendijk & Charles 1999; Saxenian, 1990; Porter, 1990; Piore & Sable, 1984; Schumpeter, 1934) to assimilate new technology and ideas developed elsewhere. This explains the ability of successful firms to generate new ideas and inventions. As the core component of innovation systems, competition is emphasised as important in increasing this capacity.

Spillovers facilitate the transmission of knowledge (TCI, 2008; Rosenfeld, 2007, 2001; Pinch & Henry, 1999). Importantly, clusters with high levels of untraded interdependencies (such as social capital) transfer knowledge and innovation more readily – particularly tacit knowledge which is embedded in the minds of individuals. Tacit information and knowledge about new technologies, markets, or services is gleaned from personal friendships among managers, its specialist workforce and collaborative business arrangements. In this environment knowledge flows or 'leaks' unintentionally and technologies spread to smaller companies.

2.4.2 Cohesive Systems and Actor Institutions

The concept of a cohesive system (Danson & Whittam, 2001; OECD, 1999a) involves cooperation in the sharing of knowledge (which leads to increased innovation) and the development of an 'industrial atmosphere' (where knowledge and skills are constantly developed and interchanged resulting in innovation). This provides a base for existing firms to thrive while also attracting new firms, organisations and resources. This 'atmosphere' and its level of cooperation derive from the general rule of 'organisation' – the conventions of behaviour, rules and routines between multiple actors and institutions within the network system.

Academics and policymaking entities (Danson & Whittam, 2001; OECD, 1999a,) argue that institutions can be interpreted from two perspectives:

- a narrow viewpoint – where institutions are one way or another involved in innovation processes and include universities, research organisations and support / bridging organisations;
- a broader viewpoint – includes 'behaviour' as reflected in the routines, norms and practices particular to its institutional setting .

The narrow perspective of an institution sets the context for the following section which focuses on the cluster's configuration and how it can either improve or detract from its general system performance. It discusses the structure and the focal firm and its relationships with SMEs that make up the remainder of the cluster. Following on from this institutional setting the broader interpretation clarifies issues of networking, interdependencies and system behaviour of the cluster and its consequent adaptability to change.

2.4.3 Cluster Configuration

Smaller firms may co-locate around a large central player to take advantage of spillovers (Arikan, 2009; McRae-Williams, 2005; Rosenthal & Strange, 1999; Achrol, 1997; Jacobs & De Man, 1996). This relationship between a focal firm and other firms can help initiate cluster development and enhance interaction between co-located enterprises. The degree of spillover and resultant vigour of the group is related to their ability to take advantage of networking and clustering (Isaksen, 1997).

One of the crucial problems faced by an SME is that it lacks the knowledge and information channels to identify its demands for business support. Thus, by encouraging a process of networking (Lagendijk & Charles, 1999, p. 132) clusters can:

> **...** foster inter-firm learning, in which the more experienced firms can become the tutors of SMEs, and improve the interaction between business support agencies and their clients.

However, due to its top-down approach, the 'focal cluster' (Jacobs & De Man, 1996) configuration does not necessarily mean that the focal firm seeks inspiration from others as Rosenfeld's (1997) lateral inter-firm relationships might suggest. Similarly 'hub and spoke' (Arikan, 2009; Perry, 2005; Gray, Golob & Markusen, 1996) networks can reflect a 'silo structure' (Ffowcs-Williams, 2010; DCITA, 2004; Ninan, 2004) where

SMEs are considered dependent on, or complimentary to, the larger firm. However, Bergman, Maier & Todtling (1993) present an alternative:

> SMEs not only depend on large firms, at the same time, large firms depend upon a network of small service and production enterprises for their flexibility and ability to react faster to changing conditions (pp. 6–7).

Although large firms and their hierarchies can accomplish complex organisational tasks, their slow bureaucratic decision making and weak incentives can work against innovation and the flow of knowledge (Teece, 1999). This contrasts the SMEs' ability to adapt and react to change. This reflects their capacity to absorb information and knowledge about new technologies, markets, or services while their faster reaction to change reflects a capacity to innovate. This 'specialised and flexible system' (Piore & Sable, 1984) can complement the hierarchical model of the larger firm. With the objective of achieving synergy, this integrated system (Waits, 2000) is depicted as three layers:

1. The central core, (which may or may not comprise a large focal firm);
2. Suppliers, specialised services and research that provide to these core businesses;
3. Essential economic foundations that build healthy clusters / competitive economy.

This structure reflects an *animated* or *working* cluster (Rosenfeld, 2001; Enright, 2000a) where its 'bottom-up' or internal strategies focus on generating growth from within rather than externally. In the effort to create economic growth and prosperity (Morgan, 2004) this is important. Three cluster configurations are compared in Table 2.18, highlighting each approach and relationship.

Table 2.18 Configuration of focal firms within a cluster network

Cluster Configuration	Structure with the focal firm
Focal Cluster (Jacobs et al., 1996)	Top-down approach SMEs dependent and complementary to larger firms Lacks synergy between sectors or businesses
Integrated System (Waits, 2000) Working Cluster (Rosenfeld, 2001; Enright, 2000a);	Systemic structure Organic interdependent relationships Ability to innovate and adapt to change Collective action and collaborative interaction Bottom-up approach Organic growth strategy
Hub and Spoke networks (Arikan, 2009; Perry, 2005; Gray et al., 1996).	Controlled by large, powerful 'hub' firms Interaction limited to a few firms Hub acts as a 'silo structure' that lacks synergy Hub shows lack of spontaneous collaboration Hub dominates inter-firm knowledge exchange

Source: Arikan (2009); Perry (2005); Rosenfeld (2001); Enright (2000a); Waits (2000); Jacobs et al., (1996); Gray et al., (1996).

If the cluster configurations depicted in Table 2.18 were placed on a continuum of possible power structures – ranging from a mutually interdependent structure (where firms often exhibit collaboration alongside competition) through to complete dependency and dominance (one that sees other players as competition only) – the cluster's behaviour may be clearly identified. Perry's (2005) 'hub firm' would be at the low end and in a controlling dominant position while Waits' (2000) key player within the integrated system would emphasise its collective action and collaborative interaction. Figure 2.10 illustrates the cluster orientation continuum and the alternate position that a lead firm may hold.

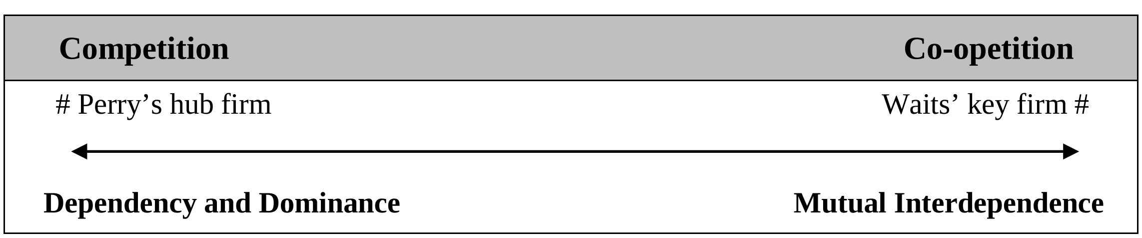


Figure 2.10 Cluster orientation continuum – competitiveness and power

The objective of this continuum is to identify the strategic orientation and possible power structures in a network. An interdependent structure would see players with common objectives fitting a modified alliance capitalism model (Dunning 1997) in contrast to complete dominance and dependency which would fall under the asymmetric competitiveness paradigm.

Those who dominate the network will be able to consume more of the 'synergetic surplus' and able to 'shape and organise the future development of the network to their advantage' (Bergman et al., 1993, p. 5). The cluster network would therefore lack synergy and inhibit the flow of information and ideas from within, and from outside the marketplace. The result would be an uneven distribution of knowledge and selective inter-firm learning (Giuliani, 2005). Scott (2006c, pp. 5–6) suggests:

> When linkages are structured in ways that impede the flow of information and ideas through the production system … Cut-throat competition, low levels of trust, or a failure to recognize the mutual interdependence of all can lead to dysfunctional outcomes.

2.4.4 Networking and Interdependency

The second essential dimension of a cluster is networking and interdependency. This cluster concept focuses on the linkages and interdependencies among actors in the value chain in producing products and services and in innovating (TCI, 2008; OECD, 1999a). It also helps in the understanding of how a healthy '*working*' cluster functions in its ability to move beyond hierarchical networks and dependence on the lead firm. Instead it focuses on the importance of overlapping and fluid connections (both vertical and lateral relations) among individuals, firms and institutions (OECD, 1999a; Porter, 1998a). Hence, networks of production go beyond 'simple' horizontal relations and instead are usually cross-sectoral (vertical and lateral) containing 'dissimilar and complementary firms specialised around a specific link or knowledge base in the value chain' (OECD, 1999a, p. 414).

Current cluster literature agrees that networks of different types of institutions and actors are necessary for innovative achievements and that cooperation between these players are a prerequisite of innovative activity (De Bresson, 1996). Therefore, when studying the innovative dynamics of a cluster it is important to investigate the interactions of different economic agents (Lundvall, 1993) their linkages, networks and interdependencies.

2.4.4.1 Network Theory and Cluster Theory

Networks are constructed when multiple entities interact (Walker, 1997). This reflects Porter's (1998a, p.226) description of a cluster as 'a form of network'. Cluster theory bridges network theory and competition to the point where networks may be the 'essence of a functioning cluster' (p. 226) and a key influence in its formation (Marceau, 1999). Reinforcing the complex involvement of networks and competition within the cluster context, Porter specifies three layers including: production, resource and the social networks. This contrasts Morgan's (2004) three cluster types: critical mass (agglomerations), supply chains and social networks. Table 2.19 compares these network layers and types with the effect on competition and market outcomes.

Table 2.19 Network layers and types, competition and outcomes

Porter's Network Layers	Morgan's Network Types	Effect on Competition and Market Outcomes
Production network	Critical mass	Factor Conditions Necessary to compete in a given industry – an advantage based on close proximity and its external economies
Resource network	Supply chains	Related and Supporting Industries The vertical and horizontal links of supplier industries that are internationally competitive
Social network	Social network	Intangible Assets Inter-firm cooperation (networks) and social capital (associative behaviour)

Source: Morgan (2004); Rosenfeld (2001) and Porter (1998a).

Significantly, both Morgan (2004) and Porter (2000) are consistent in highlighting the cluster's intangible assets while acknowledging the network is part of a larger social system. Clusters which incorporate such networks are able to realize their full potential and produce more than the 'sum of its parts'. Combining the cluster approach with a focussed cultural policy helps create an environment where social networks are developed and enhanced. This then can act as conduits for the dissemination of knowledge. As a result, a region's 'social capital' (Morgan, 2004, p.46) is instrumental in cluster-based development because 'social glue binds clusters together, contributing to the value creation process'.

For a cluster following a growth strategy the outcomes of social networks are considerable (RTS Inc., 2009; Michael, 2007; Scott, 2006c; Enright, 2000b; Swann et al., 1998; Rosenfeld, 2001, 1997). The tangible economic factors associated with supply, production and agglomeration together with the intangible assets contribute to a region's collective efficiency (Rosenfeld, 2001). This explains the higher returns that are the result of firms that are spatially clustered. It also connects and extends the theories of networks, social capital and civic engagements more tightly in terms of competition and economic prosperity (RTS Inc., 2009; Porter, 1998a).

2.4.4.2 Fine Art and Cultural Networks and Interdependencies

Networking and its interactions facilitate information exchange and provide an opportunity for knowledge sharing and innovative activity. According to RTS Inc. (2009) this views:

- learning and knowledge exchange as a collective process;
- competition as increasingly involving partnerships and interactive innovation.

This illustrates the shift from the theory of cluster networks as a static production based resource to a dynamic and knowledge based resource. However, not all cluster studies propose the link between clusters and networks. Enright (1996) argues that network theory can greatly inform the understanding of the way clusters work while Porter (1998a, p. 226) suggests how they can become ‘more productive’.

The DCMS (2008) study on the UK’s creative economy reinforces the notion of complementary industries and activity. It argues the formal and informal networks that connect with contemporary British arts practice generate a ‘virtuous circle’ of great economic, social and cultural significance where the creative, cultural and fine art industries enjoy a symbiotic relationship. The ensuing systemic character and inter-relationships encourage better networks as much creative business development depends on a process where ideas and innovations emerge and are pursued interactively. Such networks are often achieved by clustering, and their impact can be very significant where they are extended to include universities or large, well-resourced companies. Within the broader cultural industry these resources include museums (art, history and science), arts centres and libraries, while the narrower fine art industry includes the State and National art museums.

Museums, galleries and libraries act as key players within the cultural and fine art network, are a significant part of a region’s creative infrastructure and provide an essential resource for information sharing and knowledge flow (DCMS, 2008; UNESCO, 2007; Lampel, Shamsie & Lant, 2006a; Cunningham, 2005; DCITA, 2004). Such infrastructure increasingly group together, pooling resources into networks and partnerships and can contribute to a city or locality’s sense of identity, significance of ‘place’ (Creative Clusters, 2008; KEA European Affairs, 2006; Wu, 2005; Florida, 2005, 2004) and a region's cultural capacity. A region’s cultural capacity (UNESCO, 2007) is observable in the way it contributes to entrepreneurship, fosters innovation and growth.

In the fine art industry, the existence of active networks and fluid connections and interactions among institutions and actors play a key role in how the Victorian cluster functions. Barrowclough (2006) argues that Melbourne's art world endeavours to become more productive by paying explicit attention to relationship building by specifically introducing key players and the 'well connected' who dominate their networks. Strickland (2008a, p. 3) acknowledges the importance of such relationship building strategies and its significance in terms of the *NGV*'s competitive advantage, and argues:

> Melbourne's relationships with old established 'Melbournians' helps lead the country in its ability to access philanthropy.

Such boundary spanning roles can connect the formal bureaucratic production and distribution networks (Glynn, 2006; Bowen & Schneider, 1985), its key players, SMEs, end-users (collectors, investors and cognoscenti) and organisations that make up the remainder of the cluster. Thus, relationship building is an important characteristic of cluster development initiatives in addition to the established role played by trade associations.

Small firm networks (SFNs) can also play an important role in terms of competition within cultural industries (Lampel & Honig, 2006). They help to reduce the inevitable barriers to trading that arise when potential partners from different cultures and with different values have to exchange or share resources that are, by their very nature, intangible and difficult to protect.

With the increase in demand for Indigenous Australian contemporary art and craft (John Furphy Pty Ltd, 2009; Strickland, 2006d) and the high percentage of sales going to international collectors (Owens, 2006), SFNs are an important local linkage in the sustainability and growth of the sector. These SFNs are also critical in reducing barriers particular to that institutional setting and its norms and values (The Senate, 2007;

Owens, 2006) where personal relationships hold the key to cooperation. This also enables collectors to work within a 'known' ethical framework and understanding of the production and distribution system which is often different to that of urban and mainstream structures.

The significance of this relationship between these SFNs and user-groups is often due the international art collectors' scholarly approach (Owens, 2006, p. 43) which demands 'a deep knowledge of indigenous culture and politics'. The collector's self-interest in acquiring resources, as well as local knowledge, results in SFN involvement. Owens (2006, p. 43) argues:

> Most foreign collectors first seek the cultural experience by traveling to Australia to buy or commission work, then they share it, some exhibiting at national museums ... Each year it becomes easier for international collectors to acquire knowledge ... with unfettered access to dealers and community advisers in the stages of collecting … by the late 1990s … information (also) became available on the internet.

The success of the indigenous art and craft sector is dependent on specialisation of its SFNs and the ease of accessing information pertinent to its artists, art centres (hub organisations) as well as its Code of Conduct (NAVA, 2007; The Senate, 2007; MacDonald, 2007). This is especially critical in such localised economies – not only reducing barriers to trade – but for the sector's sustainability and opportunities. So while SFNs arise from the result of individual firms (including art collectors) pursuing localised self-interest, their creation produces forces that are collective in orientation (Lampel & Honig, 2006; Perry, 1999). In such networks proximity enhances the formation of multiple relationships. This in turn increases the flow of information, creating a pool of transactional experience that forms the basis for common norms and practices.

‘Hub organisations’ (Lampel & Honig, 2006; Simmie & Sennett, 1999) – where the business structure is dominated by one or several large, vertically integrated firms – can also act as an important mechanism in forming networks and to extend its reach. As bridging institutions they can broker the relationship between potential partners and facilitate agreement while establishing a common ground within the norms and routines particular to that institutional setting. Hence, with or without ‘hub organisations’, SFNs can improve productivity and competitive advantage while working within the local context.

The benefit of working within the network paradigm is that it takes into account the importance of interconnections and knowledge flows within a network of production. This offers insight into the value of inter-firm networking and collaboration (OECD, 1999a, p.7) and the ‘multitude of partnerships between firms with complementary assets’. Although this model moves away from the traditional sectoral approach to include cluster relationships, it enables a deeper understanding of the complexity of innovation systems and regional growth (Norton, 2002; Porter, 1998a; Rosenfeld, 1997). It also reflects the important role social capital plays within business communities – important to those who see networks as integral components of clusters (TCI, 2008; OECD, 1999a; Ffowcs-Williams, 1997).

2.4.5 Systemic Character

Some businesses flourish when they form clusters which ‘grow organically, developing their own specialism, characteristics and scale’ (DCMS, 2008, p. 59). A cluster’s character, and its ability to innovate, is underpinned by two key factors. First, is the vitality of its specific industry; second, is the flow of knowledge, policy and public investment (Scott, 2006c; OECD, 2005, 1999a, 1999b; Swann et al., 1998; Rosenfeld, 2001, 1997). This emphasises the notion that ‘innovation seldom takes place in isolation but is systemic’ (TCI, 2008).

Because innovation processes are institutionally embedded in the setting of its production system, the cluster's distinctive character makes it a useful tool for understanding the dynamics of how businesses grow and adapt to change. It can also provide a better understanding of the industrial and social organisation of the cluster and its setting – and its behaviour and the way things are usually done (OECD, 1999a).

2.4.6 Regional Responsibility

As groups of competing and cooperating businesses, clusters enhance demand for specialist labour and supply networks in a particular location (DCMS, 2008) and have demonstrated to be an important source of innovation driven at the local level (den Hertog, Bergman & Charles 2001b; OECD, 2008, 2005, 1999a). As an environment conducive to growth, government policy – including financial intervention – has therefore been directed at the fine arts with the aim of maximising the opportunities for regional and urban development. Framed within a geographic context, the Victorian fine art cluster is concentrated in inner-metropolitan Melbourne. It is closely linked to neighbouring clusters that are co-located in the inner-city around the cultural, recreation and leisure industries. Together, these fine art and neighbouring clusters complement each other's functions and are pivotal in boosting their combined productivity. A cluster's location and factor conditions are therefore seen to play an integral part in the cluster's systemic character, its networking capacity and interdependency.

This study uses the geographic framework of the Victorian State Government to distinguish its boundaries. The Victorian fine art cluster is defined within this context, with its concentration of players located in the inner-metropolitan district of Melbourne. They have been identified as:

- the metropolitan district – within a ten kilometre radius of central Melbourne;
- the outer-metropolitan region – between ten and twenty kilometres from the centre;

- regional Victoria – located in excess of 20 kilometres from central Melbourne to the state borders of NSW in the north and South Australia in the west.

Although the notion of strict boundaries is not possible within the system these geographic definitions offer a framework to compare growth, interactivity and firm behaviour over time.

2.4.7 Summary

Location, the systemic character of an industry, its networking capabilities and interdependency has a significant influence on the industry's performance, innovation and clustering (OECD, 1999a). This is reflected by many studies on regional competitiveness (Porter, 1998a; Swann et al., 1998; Rosenfeld, 1996a) which maintain that the structure and inherent character of an industry, together with its interactions, inter-relationships and behaviours, help to stimulate knowledge flow with the consequence of innovation and growth.

The interpretation of cluster dynamics has been developed in light of the preceding literature reviews that will form the basis of this study. This chapter may offer insight into other studies of clusters with similar industrial organisation and coordination mechanisms.

Chapter Three Research Framework

3.1 Introduction

Based on the literature review of the previous chapter a theoretical framework has been developed. This chapter explains this analysis framework applied with the objective of describing the most suitable way to identify the effect of a lead firm's dislocation. The chapter begins with a presentation of the conceptual framework and moves into a discussion of the research paradigm and justification for this approach. This forms the foundation for the modelling and methodology processes detailed in chapter four.

3.2 Conceptual Framework

The previous chapter offers a variety of perspectives of the Victorian fine art grouping of firms – from an industry, cluster and systems approach as well as on the interdependencies between these cluster systems. By using these analytical lenses, the context of the sector – how it is described and classified – can be appreciated from diverse viewpoints which are beneficial in understanding the cluster's intricacies, dynamics and level of embeddedness.

The research literature tends to focus attention on the cluster dynamics and the importance of knowledge and learning in cluster growth and regional competitiveness with the aim of measuring a single point in time. However, the aim of this study is far more complex as its research needs to measure and understand change over time. This temporal dimension typically leads to an elaborated method to research. Thus, this longitudinal study incorporates a retrospective approach (DAA, 2009), in its mixed methodology (Creswell & Plano Clark, 2007; Creswell, 2003; Tashakkori & Teddlie, 1998).

In an effort to measure and understand the effect of the *NGV*'s temporary dislocation, a survey and follow-up interview was carried out during dislocation of the key player (2000) and reflects on the previous five years (prior to disruption). Respondents are asked about their current (2000) and previous (1998) status or whether their status has changed. The key aspect of this retrospective design is that the change is measured using a single survey (DAA, 2009) and follow-up interview of the survey respondent. However, the approach adopted in this study also incorporates a longitudinal design where respondents are surveyed and interviewed upon re-establishment of the key player (2005) and asked to reflect on the previous five years (during dislocation). This larger sample of respondents builds on the same group as the previous study. According to Data Analysis Australia (DAA, 2009) this can add a great deal of flexibility to the analysis as it allows responses to be compared on an individual basis. It also allows a degree of accuracy to be obtained with a much smaller sample size than that required 'if different samples are used' (p. 1). An important additional aspect to this research design is that changes can be observed 'in both directions' (p. 2), that is, before temporary disruption of the key player (phase 1) and upon re-establishment of the restructured *NGV* (phase 3). This study's atypical approach and complex survey design is therefore relevant in establishing if there is a difference between inter-relationships and cluster activity over the three phases.

This process of understanding and measuring change within a business environment is supported by the evolutionary approach to economic theory which attempts to 'give a real-time account of social and economic phenomena in terms of processes of change' (Foss, Knudsen & Montgomery, 1995, p. 5). This longitudinal and retrospective study therefore uses multiple types and levels of analysis than is required in 'single point'

(DAA, 2009) cluster studies. This longitudinal design would also fill the gap that Arikan's (2009) analysis points to as a future direction for cluster research.

To unravel what appears to be a complicated representation of the fine art domain, viewing the cluster through multiple lenses – over time – is beneficial to the study's aim of measuring and understanding change. By focussing on each individual lens separately, data from different perspectives is ensured and so it is possible to identify inter- relations and interdependencies for comparison. Because all the lenses are applied over the same time-frame this approach substantiates the overall understanding of the cluster's dynamics while ensuring consistency for analysis.

3.2.1 Description and Analysis

In any system that names and categorises a group of entities, it is essential that key descriptors are used in the effort to recognise, standardise and identify the group under investigation. Classifying and arranging the more obvious identifiable features then becomes crucial to understanding the structure, level of activity and behaviour of the cluster while also ensuring a consistent reference point for comparison. As industry structure has an effect on cultural innovation (Scott, 2006b), the first step in analysis is to characterise the cluster's formation and structure. This allows the exploration of two aspects – social infrastructure and positioning.

First, social networks (Morgan, 2004; Rosenfeld, 2001, Porter, 1998a) are important to competitiveness, prosperity and sustaining innovation. It is an essential foundation factor for cooperation and ensures channels for knowledge spillover and learning. Social networks and settings are essential conduits for information dispersal (Pinch & Henry, 1999) emphasizing the value of social capital and its influence on cluster strategies, economic growth and development (Michael, 2007).

Second, the positioning of a cluster member is of great strategic importance. Differences in the position of actors can actively enhance or diminish how knowledge flows through the system. Identifying a lead firm and how it may impact on the actions of others can be useful in the understanding of positive cluster dynamics or systemic imperfections. Power and influence imbalances within that network can negatively influence or restrict innovative activity and interactivity due to the control of information and knowledge. On the other hand they can also positively benefit knowledge intensive production and service activities.

From an industry perspective, this leads to a more complex comprehension of the sector, including the power dynamics and the hierarchical control that the *NGV* enjoys as the key coordinating mechanism. A cluster perspective on the other hand provides insight to the strategic position of the grouping of firms. This can range from highly competition-oriented to highly cooperation-oriented, and, as cited by Arikan (2009, p. 667) are 'largely determined by the strategies that the lead firm employs'. A systems approach adds a final level of interpretation in that it supplies a framework for analysis.

A framework can limit problems of variation by working within the confines of identified dimensions. However, even when criteria for comparison are ascertained, classification can be problematic due to the cluster's multidimensional features or the opinions of primary sources of information that may vary from the key dimensions identified. Alternatively, clusters that reflect multiple features may indicate the degree of cluster activity or clustering that is occurring (McRae-Williams, 2005). This may prove significant during comparison, highlighting any change over the period of dislocation.

In this study the tangible cluster elements (configuration, systemic character and regional responsibility) together with the intangible assets (networking and interdependency) have been distinguished as significant dimensions to be examined.

Within the analysis, framework issues needed to recognise the presence of a key, dominant player and its leadership function. The complexity of the cluster's interactions between actors and institutions – and their interconnections – then needed to be understood in terms of the cluster's systemic character. Issues of behaviour and competitive dynamics in terms of the level of cooperation, competition or co-opetiton of players and the collective could then be placed under scrutiny. The third tangible asset recognised location and cluster member's regional responsibility. Finally, the intangible assets reinforced the issues of inter-firm cooperation (networks) and social capital (associative behaviour). This cluster's networks and interdependency element was crucial in describing inter-firm relationships and its propensity to interact with other players and clusters. The level the innovation outcomes resulting from the above activities, could be analysed using these four determinants which were then compared to determine any change during dislocation and re-establishment of the key player.

Extending the focus of the tangible classification dimensions to include the intangible assets of networking and interdependency reflect a 'sharpening' of the analysis (McRae-Williams, 2005; Enright, 1996) while also improving the context of this study's research agenda. The descriptive terminology available for classification is also broadened to include cluster specific elements relevant to this study. Such an analysis technique is needed in regional clusters, with specific consideration given to describing a cluster in terms of its knowledge flow, information sharing and potential to work as a system.

The notion of a system (TCI, 2008; Caloghirou, Constantelou & Vonortas, (2006); OECD, 1999a) and its basic concepts (innovation, institutions, networking and learning) reinforces the collective as a group of inter-related, interdependent and interacting elements that together form a single functional structure. The OECD's 'systems of innovation' approach demonstrates that the competitiveness of these firms is becoming more dependent on complementary knowledge, while innovation – through the creation, diffusion and use of knowledge – has become a key driver of economic growth (OECD, 1999a). Figure 3.1 illustrates the analysis framework with the four identified dimensions working toward the issue of ‘interaction’ and the flow-on effect in terms of regional competitiveness and innovation.

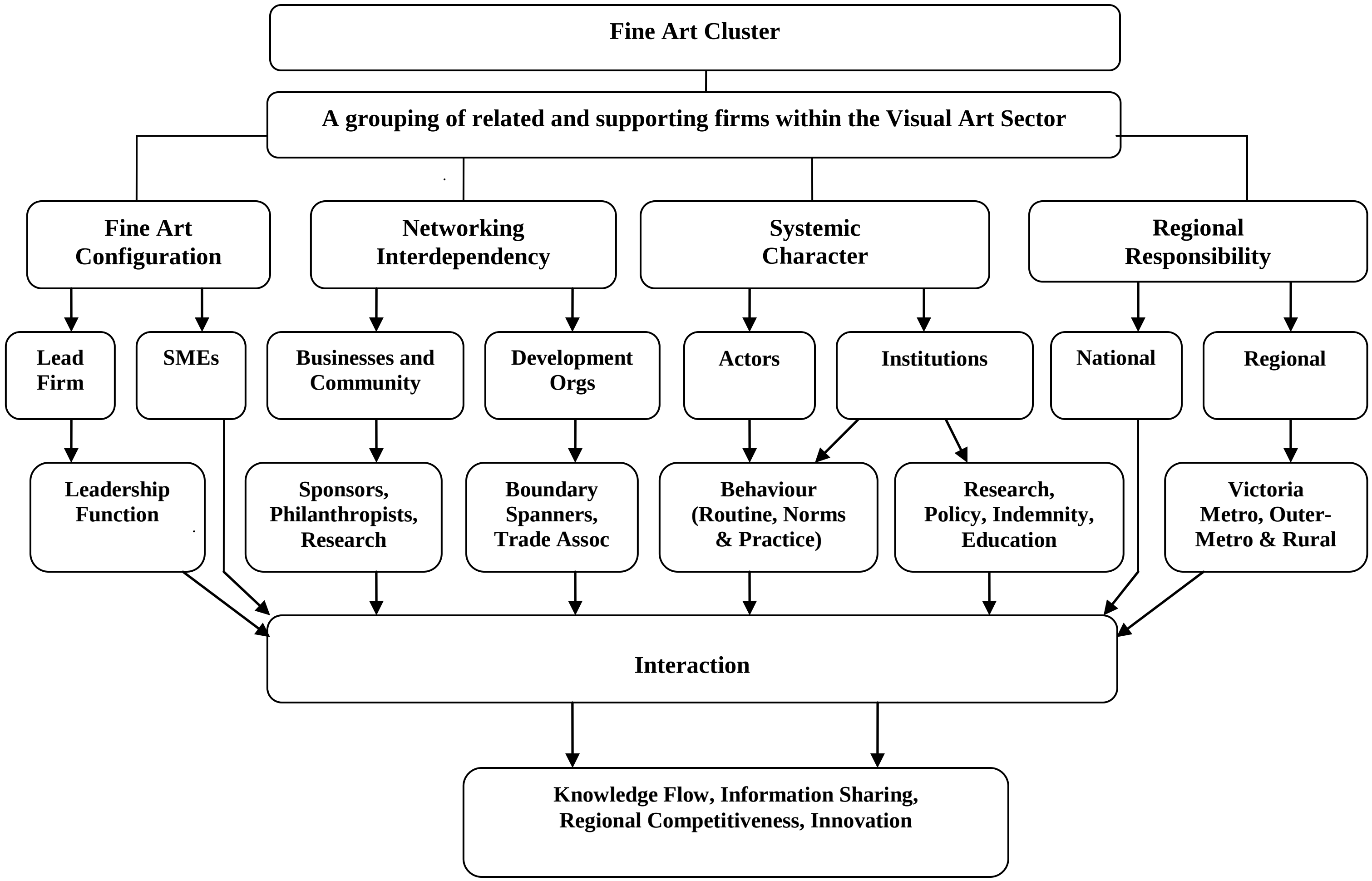


Figure 3.1 Analysis framework for the Victorian fine art cluster

3.2.2 Industry Perspective

Using the industry perspective lens, a complex understanding of the sector – and the lead position that the *NGV* maintains – is presented. It also highlights the pivotal role played by the dominant player and the hierarchical control that the *NGV* enjoys as the key coordinating mechanism for inter-firm knowledge exchange. It might be expected that upon dislocation of the key player that there would be:

- a gap in the interactions between players;
- knowledge mobility limitations;
- a degree of disruption in production and innovative activity.

The introduction of the schematic map in chapter two (Figure 2.2) depicts the cluster's configuration and visually reinforces the key players' status within the industry. It illustrates the different cluster components and their relatedness and is often used as a tool in cluster research (Austrian, 2000). In this study, it is designed to visually establish the industry's core and identify other significant players, their position and relevance to the value chain.

If disruption does occur, the next three lenses will allow the identification of the nature and depth of this disruption. On the other hand, in the case of no disruption it would be possible to identify the mechanisms that prevented disruption occurring.

3.2.3 Cluster Perspective

A cluster perspective provides insight to the strategic position of the cluster and provides a macro view of the changes that may occur. Clusters, and the processes associated with them, provide a powerful tool to understand how businesses interact, compete and innovate in the pursuit of growth. What becomes apparent is the crucial underlying dynamics for cluster growth is centred on the free flow and sharing of knowledge as well as the clear synergetic advantages in the association. This lens identifies and describes key benefits of belonging to a cluster and examines the fundamentals that drive groups of firms to innovate and compete. This has not only seen the development of cluster modelling but also how it is explained.

The analysis of the interdependent overlap between clusters illuminates the impact of change on both the fine art cluster and its neighbouring regional clusters. This allows the examination of how wide-ranging the effects of the lead firm's dislocation can be and to quantify the impact of change in terms of being:

- limited to the networks within the cluster;
- centred wholly on the cluster itself; or
- extending beyond the cluster boundaries into neighbouring regional clusters.

3.2.4 Systems Perspective

The need to measure change typically leads to a framework that offers a consistent point of reference for comparison. Using the OECD (1999a) analysis framework as a foundation – a micro-level perspective of the cluster's internal dynamics is considered. This contrasts with the macro-level view of a cluster's location, configuration and systemic character which can influence an industry's performance and innovation.

A systems approach adds a level of interpretation that offers insight into the networks that operate within the cluster. By identifying changes within such networks the impact on the dynamics of the cluster, information exchange and competition can be determined. It highlights internal processes of specialisation, cooperation and rivalry and knowledge flows that underpin the competitiveness of the firms within them (Sölvell, 2009; OECD, 2005). While successful clusters are built on a combination of these superior internal dynamics, it is its level of dynamism that is critical in determining its growth path (RTS Inc., 2009; Scott 2006c; APD, 2001; Nachum et al., 1999). The dynamics of a local cluster provides an entry route for a diverse range of networks of information and knowledge, thus creating opportunity for cluster building and regional growth. These localised business clusters (Nachum et al., 1999, p. 12) are seen as being:

> … characterised by a delicate balance between collaboration and competition, with the line between them being blurred.

The paradox of innovation is that it uses cooperation to enhance competition and to link many different actors (den Hertog, Bergman & Charles, 2001a; OECD, 1999a; Brandenberger & Nalebuff, 1996a). In a knowledge-based economy, these clusters of innovative firms develop around sources of knowledge. They are based on a sophisticated infrastructure in which knowledge is developed, shared and exchanged, and are characterised by highly concentrated and effective links between entrepreneurs, investors (including philanthropists and sponsors) and researchers. This longitudinal study presents innovation systems on a human scale (Larosse, Slaets, Wauters, Bruninx, Simkens & Wintjes, 2001) where the role of people allows for further insight into information sharing and knowledge flow within the network. This capacity for the exchange of tacit knowledge embedded in people reflects the shift from resource-based to knowledge-based economies and its foundation of competition. This emphasises a shift toward the creation and assimilation of knowledge (Arikan, 2009; OECD, 2010, 1999; Porter, 1998a) and the significance of the activities and behaviour of industry players on knowledge mobility.

3.2.5 Cluster Activity and Behaviour

Three levels of analysis (industry, cluster and system approach) allow this exploratory investigation to contrast the following parameters.

1. cooperation versus competition;
2. mutual interdependence versus dominance;
3. innovation versus stagnation.

These parameters offer insight into how the cluster functions and to understand the impact of change on the working of the cluster. Hence, a key element of this study's micro-analysis is the focus on its internal dynamics and its capacity for sustainable growth.

Sustainability is a function of dynamism (Birkinshaw, 2000; Porter, 1998a, 1990), where dynamism has the capacity for improvement, innovation and competitive upgrading and can create and sustain advantage. That is, it has the capacity to become a mutually reinforcing system. Such dynamism has positive spillover effects (Flynn, 2008; Acs, 2006; OECD, 2001a; Rosenfeld, 2001; Pinch & Henry, 1999; Swann, Prevezer & Stout, 1998) in terms of knowledge transfer and enhancing an art museum's reputation, financial status and consequent 'buying power' ability (NGV Foundation, 2008; Flynn, 2008; Roberts, 2008; Perkin, 2008a; Strickland, 2008a). The sustainable development of the industry, is strongly supported by SME networks with prominent art dealers and galleries playing a significant and positive role in accessing to new product (Strickland, 2008b) while supporting artists' careers in 'their constant search for new talent' (p32). These small and micro-enterprises (European Commission, 2010) are 'typically risk-takers and early adopters and play decisive roles when it comes to scouting for new talents, developing new trends and designing new aesthetics' (p7).

3.3 The Rationale

While this study is focussed on the effect of change on innovative activity within the cluster, the investigation also encompasses aspects of interaction and its subsequent effect on knowledge flow. Contributing to this understanding are the mechanisms of knowledge sharing and transfer. It is this knowledge mobility that facilitates innovation and growth. Because of this, understanding a cluster from a system approach is a useful way to explore and understand the cluster's functional mechanisms, character as well as its networks and interdependencies.

Research may use a number of organising forms including frameworks, theories and models (McRae-Williams, 2005; Ostrom & Ostrom, 2004) to explore and understand cluster dynamics. In the cluster literature, schematic maps and flow diagrams (Rosenfeld, 2001) are used to describe regional and relational factors. These graphic depictions are used as a tool to provide a level of information and relationship representation specific to a study, industry or regional economy (Porter, 1998a).

A framework approach is used in this study. The art of framework building is cited by Porter (Argyres & McGahan, 2002, p. 46) as:

> … providing the smallest number of core elements that still capture the variation and dimensionality of competition. And these dimensions then have to be intuitively grounded.

In this study, the advantage of a framework is that it identifies core cluster elements and captures a range of dimensions that contribute to a cluster classification. The framework also allows the important cluster processes under investigation to be identified. To support this study's approach, a distinction between a framework, map, theory and model are made (McRae-Williams, 2005; Ostrom & Ostrom, 2004; Austrian, 2000).

A framework is a means of organising both diagnostic and prescriptive inquiry, whilst a map is a diagrammatic tool used to represent the differing components and their relationship within a phenomenon – a cluster. A theory, on the other hand, emerges from frameworks and maps. This enables elements to be specified and linked to particular questions or working assumptions about those elements. This allows the diagnosis of a phenomenon, explanation of its processes and prediction of its outcomes.

A number of theories may be compatible with a given framework. The phenomenon of clustering and its entrepreneurial behaviour has been modelled in a number of ways – all of which are informed by the phenomenon but do not necessarily replicate or capture it fully (Argyres & McGahan, 2002). Hence, industry analysts emphasise that research should not only detect interactivity between players and inter-industry transactions, but that follow up qualitative research be used to determine the character of relationships and benefits of clustering (Doeringer & Terkla, 1995).

The cluster as a system of innovation presents itself as a framework of conceptual thinking and analytical research (Lagendijk & Charles, 1999). This is based on a strong inter-disciplinary approach, rather than a full-blown theory. Identifying and understanding clusters may therefore benefit from a framework approach.

3.4 Cluster Classification Dimensions

The parameters developed from the cluster's descriptive analysis structure allow for the identification of the shape, scope and strength of interactions and relationships of the fine art and associated sectors using the following framework:

- structure of the cluster – its configuration and positioning of players;
- system behaviour of individual firms and cluster – competitive dynamics;
- networking and interdependency – inter-cluster and intra-cluster relations and interactions;
- regional responsibility – together with the level of social embeddedness of actors.

In terms of this study, these categorised groups can be compared to determine if inter-relationships between cluster members and the level of innovative activity have changed over time. By focusing on the key research agenda – that investigates whether the cluster will remain the same over time – a complex set of criteria can be limited to something more manageable and comparable. In this case the dimension investigated is innovation since the aspect of cluster functioning is how clusters can provide an environment where change is either actively enhanced or standardized (through incremental innovation). As a function of growth and as a result of complex interaction, innovation (TCI, 2008; OECD, 1999a; Porter, 1998a; De Bresson, 1996, 1989) reflects the extent of the essential dimensions. Hence, the key research agenda needs to determine the nature of the cluster operations (level of innovation) and inter-relationships for comparison over the different time-frames.

The conceptual framework developed for this longitudinal study complements cluster theory under conditions of growth, and change, and integrates the four key issues – structure, regionalism, networking and systemic character. The framework can be used to develop an understanding of the way the fine art cluster operates (cooperation or competition orientation) and the impact of dislocation on relationships within the cluster (micro-level cluster dynamics) and externally. More broadly it includes inter-relationships in the marketplace and the cluster's regional responsibility. These issues have flow-on effects in terms of knowledge flows, information sharing and the consequent regional competitiveness of the cluster, its members, and how they are classified. As a consequence, the framework inherently uses a number of models and theories, however, establishing that the fine art industry cluster exists (as discussed in chapter 2.1); its components and relationships identified (as illustrated in Figure 2.2 schematic map) and that cluster systems are important (established in chapter 2.2 and 2.3) is a relevant pre-condition to using this framework. The classification of a cluster in terms of its tangible (configuration, systemic character and location) and intangible (networking and interdependency) assets is then justified and crucial to tracking any change over time.

3.4.1 Framework Models and Scales

This research framework operates in parallel and is examined through two conceptual lenses. The *Model of Competitiveness* (Figure 3.2) is relevant to these competitive and cooperative (and a combination of the two) paradigms and helps to identify an overall summary of the cluster for comparison. It also demonstrates the expectations and predications of different scenarios during two stages of dislocation – the exit and re-establishment of the lead firm – and possible impacts on the functioning of the cluster. Incorporating the *Cluster Orientation Continuum* introduced in the previous chapter (Figure 2.10) assists the model's objective to compare a cluster's strategic orientation with possible power structures in the network. Thus, a mutually interdependent structure would fit the modified alliance capitalism concept in contrast to complete dominance and dependency which would fall under the asymmetric competitiveness model. The underlying assumption is that a cluster works by collaborative behaviours and networking and through benchmarking against competitors, complementing each other. The degrees to which these factors operate allow the identification of the cluster's competitive dynamics.

Model of Competitiveness

1. **Co-opetition:** The co-existence of cooperation alongside competition, where competitive advantage can only be developed if cooperation enhances rivalry; where close proximity spur innovation…networks of relationships are greater than sum of parts.

   Expectation: Exit of major player will damage all existing firms
   Prediction (P1): Upon re-establishment of the lead firm, a more robust 'working cluster' is evident due to the restructure. Increased innovation in individuals and collective (cluster).

2. **Cooperation:** Knowledge spillovers and exchange of information evident, rivalry limited, 'complementors' in creating the market and in product development.

   Expectation: Exit of major player will limit market potential
   Prediction (P2): Upon re-establishment of the lead firm stronger 'strategic innovation' among members is evident; firms re-position as 'complementors' rather than competitors, with stronger network linkages… network of relationships are greater than sum of parts.

3. **Competition:** Exit of lead firm stimulates competition, with competitive moves and new entry reducing industry margins and firm profitability.

   Expectation: Exit of lead firm will allow the SMEs that make up the remainder of the cluster to build on their level of interaction and improve their prospects.
   Prediction (P3): Upon re-establishment of the lead firm into the cluster there will be re-positioning of players and limited relationship networks.

Asymmetric Competitiveness Model

Alliance Capitalism Model

Competition	**Cooperation**	**Co-opetition**
Dependency and Dominance		**Mutual Interdependence**

Figure 3.2 Model of competitiveness – incorporating the cluster orientation continuum

3.4.1.1 Dominance versus Mutual Interdependence Continuum

The objective of this *Cluster Orientation Continuum* would be to identify possible power structures in a network. A dominant player would consume more 'synergetic surplus' (Bergman et al., 1993, p.5) of the network and 'shape and organise the future development of the network' to its advantage. Dominance would fall under the asymmetric competitiveness model while a mutually interdependent structure might see players with common objectives fitting within the alliance capitalism concept. The continuum scale has two purposes. First, to indicate actors' propensity to cooperate and collaborate, share information and knowledge while simultaneously competing. Second, to indicate groups of firms with similar innovation characteristics that belongs to the cluster. The *model of competitiveness*, its context and key factors that describe the cluster are discussed in the following section.

3.4.1.2 Issues of a Key Player within a Cluster

In accordance with the alliance capitalism model, Grabher and Pedersen (Bergman et al., 1993) investigate the relationship between large and small firms in a network. Grabher discusses these relationships from the perspective of the large firm. His key premise is that the large businesses can play 'an important role in a less hierarchical and more cooperative economic environment' (p.6). Cooperation between large and smaller firms can be beneficial to the large firms in times of change, due to SMEs flexibility and faster reactions to changing conditions. Pederson discusses inter-firm relationships from the perspective of the smaller firm and concludes that in a network approach the SMEs are considered 'complementary to the large rather than an alternative' (p. 7). The heterogeneous nature of small firms ensures that they occupy market niches and undertake tasks that large enterprises cannot efficiently perform due to the bigger firm's large-scale production techniques. Both agree that SMEs' not only depend upon the large ones, but also 'at the same time large enterprises often depend upon a network of small service and production enterprises' (p. 7). Grabher and Pedersen's arguments reflect the mutually interdependent nature of the cluster network where members cooperate, collaborate and compete, with the common objective of the health and survival of the cluster itself, rather than the individual key player's survival and dominance. This framework 'fits' the context of the fine art cluster well, where each firm relies on its interactions and linkages to other businesses and networks for resources, information, and ideas.

3.5 Summary

This chapter provided a research process suitable for this longitudinal study. The chapter begins with a presentation of the research paradigm and moves into a discussion of the conceptual framework of the study and a justification for this approach. The conceptual framework brings together key theoretical concepts developed in the previous chapters that support this investigation of transition and change. This opens the discussion for the next chapter, its methodology application and choice of the methodological tools used.

Chapter Four Modelling and Methodology

4.1 Introduction

The objective of this chapter is to select the most suitable research process to identify the effect of a lead firm's dislocation on the fine art cluster system. It considers the choice of the methodological tools used in this study as well as their validity and reliability. Data collection methods – as is the triangulation used to validate findings – are discussed. The chapter includes the foundation of enquiry and reasoning behind questions chosen for in-depth interviews[1] that were conducted and incorporated in the questionnaire. The methodology includes a mixed methods approach with both qualitative and quantitative analysis processes.

There were four important issues that require resolution as the *NGV* left and returned to the same inner- metropolitan area of Melbourne – referred to in the thesis as the fine art cluster. Specifically:

- What happens in a set of business relationships when a dominant player moves out but indicates they will be back?
- What were the central features of the cluster and interaction between individual members
    - Prior to dislocation of the *NGV*?
    - During dislocation of the *NGV*?
    - Upon re-entry and re-establishment of the *NGV*?

[1] Ethics Approval Project No. 03/127.

- How did individual firms in the cluster behave over these three phases?
- Were there significant differences in firm behaviour and activity over these three phases?

Methodology offers a frame of reference to guide the development of a research strategy or plan for the study. This influences the methods selected for the data gathering and the analysis phases of a project. In this thesis the research design involves a longitudinal study within a phenomenological paradigm. In this particular situation the need to both measure and understand change has led the use of a mixed method approach which involves a quantitative survey instrument and subsequent qualitative interviews. To add depth and insight to the study, this qualitative analysis integrates the perspective of a single fine art SME located within the cluster.

The study's emphasis on cluster activity, processes and its retrospective approach will provide data that may contribute to the research problem. This will establish if there is a difference between inter-relationships and cluster activity over the time of dislocation and the lead firm's re-establishment. This temporal dimension has implications for the understanding of cluster processes and the issue of sequences of actions or events that can unfold over time (Strauss & Corbin, 1998; Van Den Ven, 1992). Hence, longitudinal, real-time and retrospective research methods have been proposed as alternatives to the traditional cross-sectional, business research paradigms (Pettigrew, 1992). This helps to meet the challenge of matching the research method and paradigm to the purposes, questions and issues raised.

4.2 Research Approach

Cluster research has centred primarily on national competitive advantage with identification of these clusters through quantitative analysis of economic data. Such analysis has proven useful in identifying and comparing regions, growth and, in many cases, potential for policy direction. However these results do not provide an insight into the functioning of clusters, how they interact internally or their interdependencies with each other. An alternative cluster approach focuses on the relationship between cluster members. This approach introduced the relevance of qualitative research in understanding the social relationships and inter-firm activity within individual clusters (Hite & Hesterly, 2001; Uzzi, 1996, 1997).

A common theme in the cluster literature is centred on systems of socially embedded networks that facilitate competitiveness, knowledge flow and growth. As a consequence, cluster research involves the collection of an extensive amount of data from multiple sources and disciplines. Under normal circumstance this is measured at a single point in time. Methodologies of this type have seen the development of cluster research to combine both qualitative and quantitative tools (Austrian, 2000; Enright & Ffowcs-Williams, 2000; Jacobs & De Man, 1996; Rosenfeld, 1995; Verbeek, 1999). The opportunity for this mixed method opens the door for a dynamic analysis.

Comprehending the transition of the focal firm's dislocation and subsequent re-establishment is crucial to the overall understanding of this study. This occurrence has been tracked and observed over a period of five years and consequently uses a combination of quantitative and qualitative methods. The research site is the Victorian fine art cluster but also includes the perspective of a single fine art SME observed over the same timeframes.

This study involves two phases. The first phase provides an initial overview of clustering within the fine art sector. The second phase provides a micro-level consideration of the cluster's internal behaviour: its network paradigms, interdependencies and systemic character. Whilst, the identification of macro and micro-levels of clustering can always be complex, the level of complexity is magnified in this study due to its aim of measuring and understanding change. This study's attempt to give a retrospective and real-time account of social and economic phenomena in terms of processes of change (Foss, Knudsen & Montgomery, 1995) requires a methodology that is able to compare inter-relationships and cluster dynamics at different stages. This approach necessitates a research methodology that is able to provide an understanding of the cluster phenomenon under conditions of change.

4.3 Methodological Approach

A conceptual framework of the methodological approach for this study involves a number of phases and includes a variety of data gathering tools. Figure 4.1 presents this framework showing the path the research methodology has followed.

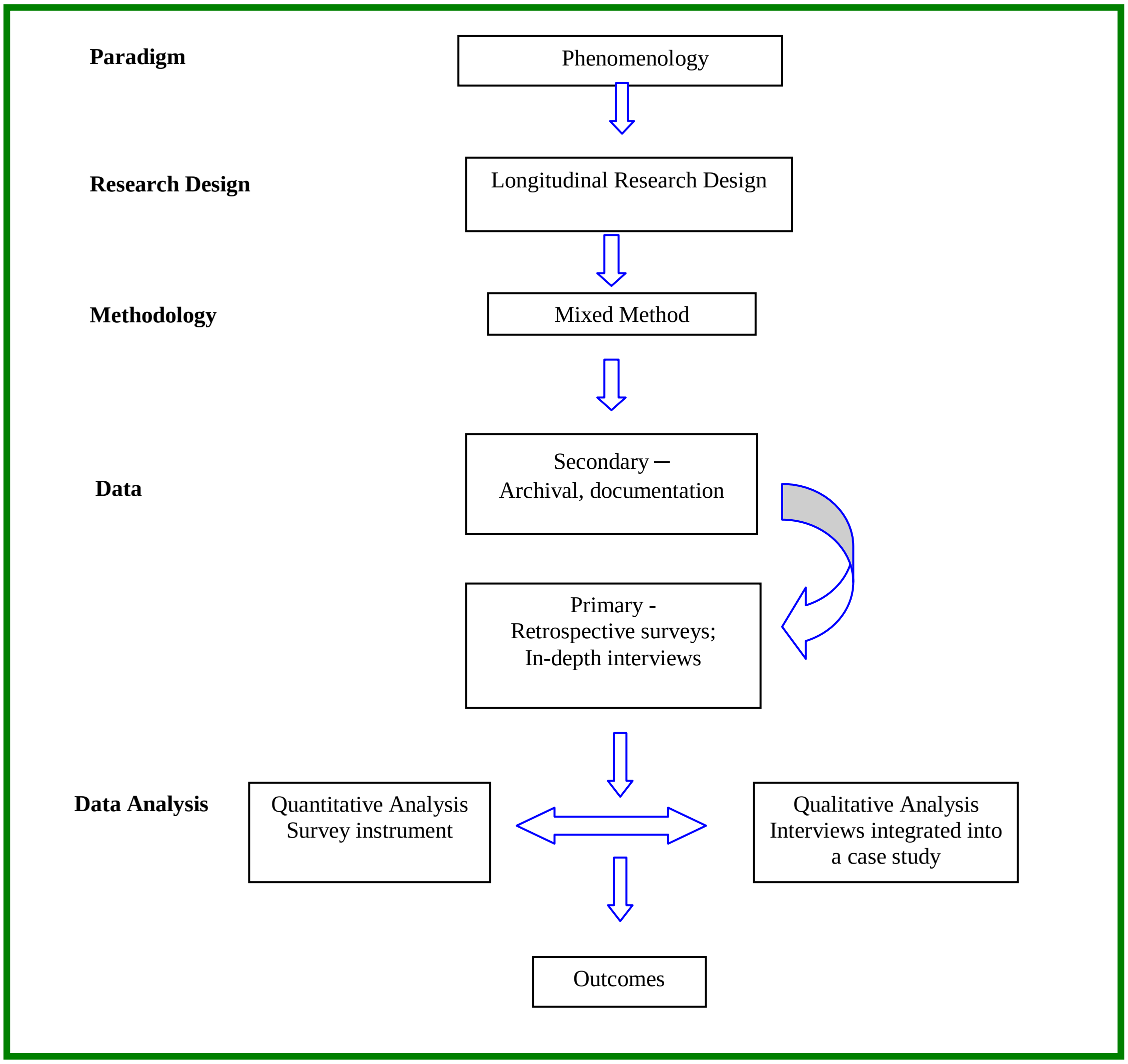
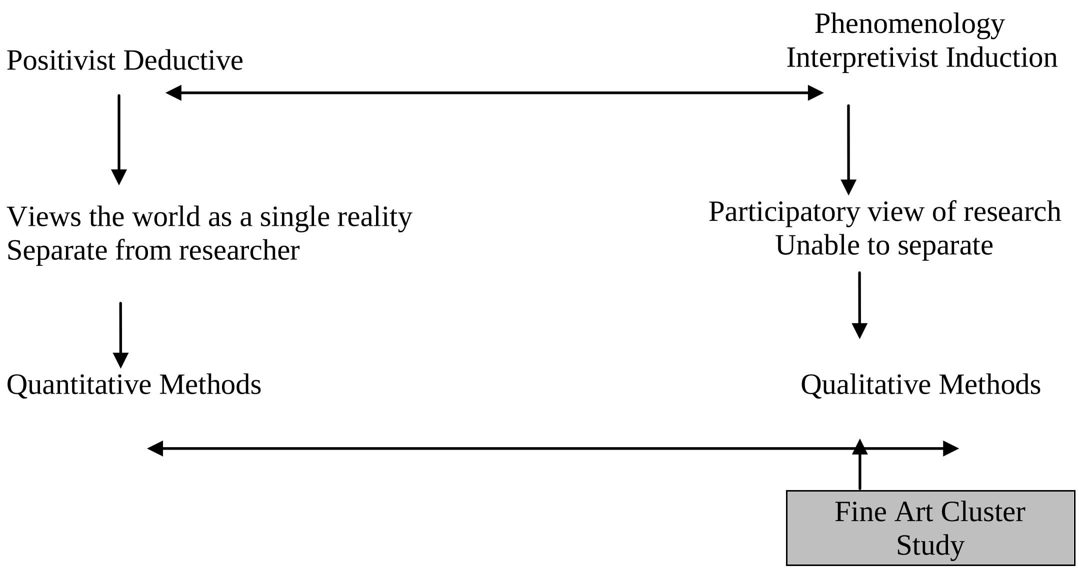


Figure 4.1 Research methodology framework

4.3.1 Research Paradigm

A number of different philosophical paradigms underlie research. The positivist concept favoured by the business and social domains assumes the social world exists externally and its properties are measured objectively. Knowledge is derived from external observation however this approach has significant limitations when faced with the complex dynamics of inter-relationships (Williams, Money & Swartz, 1998; Easterby-Smith, Thorpe & Lowe, 1991). In contrast, the phenomenological or participatory view of research (Braun, 2003; Hussey & Hussey, 1997) has become synonymous with qualitative research and induction. It attempts to understand general patterns of order and structure from particular sets of empirical data (Easterby-Smith et al., 1991). Figure 4.2 highlights the difference between these approaches. It also establishes that this study sits within the qualitative research framework.



Adapted from: Creswell and Plano Clark (2007); Braun (2003); Hussey & Hussey (1997).

Figure 4.2 Continuum of research paradigm

Hussey and Hussey (1997) emphasise the importance of recognising there is a continuum between the two extremes of positivist and phenomenological concepts. This longitudinal study sits within the confines of the phenomenological paradigm and qualitative methodology as the reality is derived from the transmission of information 'which leads to an ever-changing form and activity' (p. 51). This is consistent with the cluster phenomenon and issues of change.

The firms studied in this research reflect a moderate and realistic representation of growth for clusters that comprise a focal firm and SMEs that make up the remainder. This study falls within the realist approach as the research is focused on the contemporary phenomenon of clusters, however is moderated by deductive analysis. Inductive theory building is required because of the limited evidence in the literature of an accepted generalised set of principles or constructs upon which to base a deductive approach. This study also requires the collection of both observable and unobservable information on the cluster phenomena. These include interactions and relationships between firms and cluster systems retrospectively as well as at a single point in time.

The convergence of quantitative and qualitative approaches is described as mixed methods (Creswell & Plano Clark, 2007; Creswell, 2003; Tashakkori & Teddlie, 2003 & 1998). Various mixed method strategies can be used; hence, the choice of approach is determined by the particular research problem under investigation and which meet the practical demands of a particular inquiry. The benefits of this study's qualitative stance reinforce an inspired inductive logic that 'may be more useful than deductive reasoning from theory' (Bygrave, 1989, p. 18), thus providing insight into cluster processes and interactivity. A comparison of methods is provided in Table 4.1.

Table 4.1 Comparisons of quantitative and qualitative methods

	Quantitative	**Qualitative**
Philosophical assumption	Positivist	Participatory
Employed methods	Closed-ended questions	Open-ended questions
Formation of data	Numeric data	Text or image data
Data collection method	Survey, experiments, secondary data;	Narrative, interviews, perspective of participants
Data analysis method	Statistical analysis	Thematic analysis
Sample size	Large number of cases	Small number of cases
Use these practices of research, as the researcher:	Tests or verifies theories or explanations	Generates theory
	Identifies variables to study	Collects participant meanings
	Uses an unbiased approach	Collaborates with the participants
	Is independent of the context	Brings personal values into the study
	Uses standards of validity and reliability	Validates the accuracy of findings
	Seeks to generalise to whole population	Acknowledges that findings are typically not generalisable

Source: Pi (2009) – from Bryman (2001), Creswell (2003) and Veal (2005).

The combination of qualitative and quantitative methods informs each other by helping overcome issues of bias or contradictory testimony (Roth & Mehta, 2002). Most researchers today tend to use both approaches (Morris, 2003) to generate a more ‘holistic picture’ with the underlying assumption that the research is stronger ‘when it mixes research paradigms, because a fuller understanding of human phenomena is gained’ (Rocco, Bliss, Gallagher & Perez-Prado, 2003, p. 21). These data collection methods (Creswell, 2003; Tashakkori & Teddlie, 1998) work in tandem to ensure:

- thematic analysis and theory building is founded on the variables identified in the quantitative strategy and vice versa;
- narrative of the study converges with surveys and secondary data;

- standards of validity and reliability are authenticated with personal insights collected from knowledge sources intimate with the point under investigation.

Based on relevant theories of clusters and systems analysis this research will test the dislocation of the key player on cluster processes to determine if any changes in inter-relationships and innovative activity occur. The challenge is to match the research method and paradigm to the purposes, questions and issues raised. Hence, in order to be responsive to the nuances of particular empirical questions and the idiosyncrasies of specific stakeholders (Rocco et al., 2003; Patton 2002) this thesis uses aspects of both quantitative and qualitative methods.

4.3.2 Research Design

The central challenge of this research was to capture the nature of changes to a cluster when a dominant player moves out but indicates they will be back. In order to gain multiple perspectives of what happens, three groups that were pivotal to the structure of the cluster were investigated. To capture these changes representatives of the *NGV*, SMEs inside the cluster and businesses in neighbouring clusters were asked to respond to a questionnaire supported by semi-structured interviews. Specifically, representatives of the three domains were invited to consider the nature of their business and their attitudes and perceptions of the *NGV*, competition and innovation within the cluster.

Surveys and interviews were undertaken in two stages. In the first stage cluster members were asked to respond to a questionnaire in 2003 supported by focussed interviews asking about the cluster at that time and five years earlier (prior to dislocation in 1998). This process was repeated during the re-entry phase in 2005 with a broader group who identified their current issues and activities compared with a retrospective account of these factors during the dislocation phase in 2000.

This longitudinal design allowed the investigation of time-space relations and the recognition and examination of patterns. It assumes a retrospective comparative study over two time-frames and three stages of transition, adopting a triangulating, convergent methodologies approach (Jick, 1983). While individual firms were anonymous, broad groupings of firms can be identified by categories such as its orientation (public or private), strategy (profit or non-profit), type (size or position) and geographic location. This approach makes it possible to compare changes in identifiable individuals over time and the possibility of meeting the criticism that other studies 'cannot identify who actually changes' (Minichiello, Aroni, Timewell & Alexander, 1995, p. 170).

The systematic collection and analysis of both secondary and primary data address the research issues from multiple perspectives. This provides a more complete understanding of the reality of change and allows for a fusion of information from multiple sources. The end result will be the development of valuable insights that inform responses to the primary research question.

4.3.3 Methodology

This study uses a longitudinal and retrospective design. Its mixed method approach utilises a quantitative survey instrument together with a follow-up and open-ended qualitative interview with representatives of both the fine art and its interdependent industries. This study seeks a synergistic benefit (Rocco et al., 2003) by integrating both approaches. This is advantageous due to the ability to draw on the two different methods while increasing the study's validity and interpretability. Through complementarity – rather than compatibility – the research is stronger with a mixed method approach, because it gains a fuller understanding of the social networks and human phenomena.

A research project has three stages (Tashakkori & Teddlie, 1998). The first stage concerns the type of project. This study is exploratory (without a priori hypotheses) that uses quantitative followed by a qualitative analysis that integrates a cases study of a fine art SME. The second stage, concerns the type of data collection and operations. Research operations include sampling procedures, measurement techniques, and methods for establishing the trustworthiness of the results. The final stage concerns the type of data analysis and inference. The following section details the first stage and each methodology.

4.3.3.1 Quantitative Methodology

Questionnaires can be used in both positivist and phenomenological research paradigms. Data collection involves three inter-related activities: questionnaire design, method of administration, and sample selection (Williams et al., 1998). These authors point out that it is not possible to provide a definitive way of doing a questionnaire as each study will have peculiarities that make it unique. A questionnaire can contain open-ended or closed questions, or a combination of both (Hussey & Hussey, 1997).

Despite some debate regarding the applicability of questionnaires in business research (Jung, 1983), this technique is commonly used. It assumes the existence of a degree of generalisability of opinion that can be tested via a set of questions. The participants in this questionnaire play key managerial roles within the industry; therefore, it was assumed that they were knowledgeable and interested in the research topic. This means the questions can be aimed at a fairly high level (Hussey & Hussey, 1997) and therefore show some degree of common understanding between individual participants, and hence some level of generalisability. They should reflect information gleaned from scholarly, professional, and industry- based literature, together with information derived from interviews, brainstorming and focus groups (Williams et al., 1998).

In this study, the questionnaire design was based on an extensive literature review, industry partner insights and the use of existing questionnaires previously undertaken in similar research areas (Austrian, 2000; Brown, P., 1999). The self-administered questionnaire was directed to senior management of fine art and related industries and is divided into five main themes:

1. cluster structure and activity;
2. perception of, and relationship to the focal firm;
3. cluster behaviour in terms of location, inter-relationships and activity;
4. importance of cooperation, collaboration and competition in achieving business success;
5. demographic information.

The protocol for this study involves contacting the selected subjects by telephone to invite them to participate. At the time of contact, the study's ARC grant status and its industry partners were revealed to add further validity and encourage participation. The purpose of the study was also introduced at this initial stage and a rapport established between the interviewer and the interviewee. Following this telephone introduction the majority of questionnaires were personally delivered to respondents along with a letter (see Appendix E for a copy of the cover letter and Appendix F for the survey) outlining the reasons and context for the study. An interview date was fixed to coincide with the pick-up of the questionnaire. Easterby-Smith et al., (1991) recommend such an approach to provide credibility.

4.3.3.2 Qualitative Methodology

The need to document the cluster phenomenon encompasses a descriptive approach and this involves identifying salient behaviours, attitudes, structures and processes that occur within this phenomenon (Marshall & Rossman, 1995). This need also matches the research framework elements identified in the previous chapter.

Given the complexity and depth of information necessary for analysis, personal interviews were considered the most appropriate technique. These interviews were conducted with identified cluster stakeholders in two phases – dislocation (phase 2) and again upon re-establishment of the focal firm (phase 3). This ensured a longitudinal approach to the qualitative methodology. However, interviews should always be considered to be verbal reports only (Yin, 1994), and therefore are subject to poor recall or inaccurate articulation. To minimise these limitations, this study supplemented the interview data with information from other primary and secondary sources. In addition, the use of interviews as a source of data collection has a number of limitations which relate in part to the skill and personality of the interviewer. The incidence of respondents telling the interviewer what they think they want to hear can distort information and the often large volume of information obtained can be difficult to analyse. In order to address these limitations in this study, the interviewer spent time to ensure she had a sound knowledge of key identities, firms and participants' business areas. The low attrition rate of fine art personnel to other industries also ensured the interviewer had a well-developed understanding of the fine art network and their firms. Hence, when players were referred to by their first name the flow of discussions was not halted with enquiries as to whom they were referring. This was not only important in ensuring the flow of discussions but reinforced the personal and social 'norm' of the industry. Trust was therefore assured and again reinforced by ensuring anonymity would be maintained and the information gathered would be analysed and published in such a way as to protect interviewee interests.

Limitations were also minimised due to the use of the same structure and themes from its quantitative survey instrument. This ensured that interviewees had already been introduced to the field of enquiry as they had completed the survey prior to each interview. This helped to make the data collection more accurate – and the inferences more useful (Rocco et al., 2003) – adding a level of depth and breadth that may not have been available if only one research method was used. Participants' willingness to complete the survey together with their insights and firm position within the cluster also identified a purposive sample for in-depth interviews about those issues.

The in-depth interview combined both an open-ended and semi-structured format and generally took one to two hours to complete. The schedule and questions were formulated from the literature review and other research into the identification and functioning of clusters (Austrian, 2000; Brown, P., 1999), and the framework developed for this study. An interview schedule is provided in Appendix G.

Interviews

Interviewing is described as 'one of the most important sources of case study information' (Yin, 1994, p. 84). Given the perspective of a fine art SME is used as a narrative – a case study design is used to investigate the innovative behaviour that results from the fine art cluster's response to the *NGV*'s dislocation. This approach is an acceptable technique for undertaking qualitative (Stake, 2000) and quantitative research (Yin, 2003). Case studies enable the investigation of a contemporary phenomenon within its real-life context, (Eisenhardt, 1989) it can help refine theory and suggest complexities for further investigation (Stake, 2005). This offers a means to understand the unique situation of dominant player dislocation and its re-entry.

The application of a case study is particularly pertinent in this type of research which is often described as exploratory and is used in areas where there is a deficient body of specific knowledge (Hussey & Hussey, 1997). When knowledge on a subject is limited, theory-building case study research is most appropriate as limited reliance can be placed on the literature or previous empirical evidence (Balmer, 1998).

Case study methodology provides a technique for both qualitative and quantitative research at numerous levels of analysis (Yin, 2003) while providing a narrative 'to describe the context in which events occur' (Dyer & Wilkins, 1991, p. 615). They can include using combinations of data collection methods such as archives, interviews, questionnaires, and observations (Eisenhardt, 1989). This helps address such questions as who belongs to the cluster and how they are affected by the lead firm's dislocation and return. Case studies have been used (Austrian, 2000) to complement researching clusters. Austrian's case study focuses on three parts. The first part is the identification of the cluster through descriptive data and mapping. It includes most of the variables used in the statistical model to identify the cluster. The second part is the detailed literature review which is derived from secondary data. This develops cluster specific knowledge using academic, industry and local sources. The third part consists of an interview with senior management which provides specific information on the cluster. It is initially directed toward the core actors, followed by firms that make up the remainder of the cluster. Austrian's (2000) methodology is reflected in this study and exhibits the strengths of triangulation.

Triangulation (Patton, 2002) uses multiple data collection and analysis methods, multiple data sources, multiple analysts, theories or perspectives with the purpose of testing for consistency. Inconsistencies are seen as an opportunity for developing further insight into relationships between the methods chosen and the phenomenon studied, thus allowing researchers and the readers of their reports, alike, to improve their understanding of that phenomenon.

4.3.3.3 Triangulation

This study's method of data collection, analysis and interpretative processes ensure a triangulating, convergent methodologies approach (Jick, 1983). The combination of multiple data sources, in addition to its combined mixed method approach has been used to address the potential problems of construct validity. This triangulation (Patton, 1987) was reinforced further with the longitudinal approach which has allowed for the systematic collection and analysis of both secondary and primary data over time. Addressing the research issues from multiple perspectives has therefore provided a thorough understanding of the reality of growth and change from both a macro and micro-perspectives. The end result was the development of valuable insights that inform the responses to the primary research question.

The purpose of triangulation is to test for consistency rather than to achieve the same result using different data sources or inquiry approaches (Rocco et al., 2003; Patton, 2002). In this study, triangulation was also adopted to provide both theory building and theory testing within the context of the study. This provides both qualitative and quantitative evidence for further understanding of cluster development over the three stages of transition (before, during and after intervention). Information collected from multiple sources – including industry associations and policy-making entities – reinforce the strength of data. These combinations can also further the goals of both deductive and inductive approaches by contributing insights that may have been missed by adopting only one perspective (Roth & Mehta, 2002). Further, the intimate relationship of the fine art family and their long-term commitment to the industry ensured a holistic approach to the issues of change and the Government interventions proposed. This focus on cluster health and policy frameworks, together with this study's ability to access established social networks, attempted to negate any limitations. The underlying rationale for this mixed-method inquiry was to develop further insight into relationships between the methods chosen, to improve the understanding of the cluster phenomenon and finally, to develop important knowledge claims that recognise the range of perspectives and their potential usefulness in policy-making decisions.

4.3.3.4 Reliability, Validity and Generalisability

There is some reluctance in applying the terms validity and reliability to qualitative or phenomenological studies (Kirk & Miller, 1986). Instead, they are often associated with quantitative analysis. Hence, a review of this study's validity, reliability and generalisability is important in establishing the relevance of the methodology used. Table 4.2 describes these terms and contrary perspectives.

Table 4.2 Questions of reliability, validity and generalisability

	Positivist viewpoint	Phenomenological viewpoint
Validity	Does an instrument measure what it is supposed to measure?	Has the researcher gained full access to the knowledge and meanings of informants?
Reliability	Will the measure yield the same results on different occasions (assuming no real change in what is to be measured)?	Will similar observations be made by different researchers on different occasions?
Generalisability	What is the probability that patterns observed in a sample will also be present in the wider population from which the sample is drawn?	How likely is it that ideas and theories generated in one setting will also apply in other settings?

From Easterby-Smith et al., (1991, p. 41)

Validity, meaningfulness and insights generated from qualitative inquiry are related to the richness of the information gathered, the cases selected and capabilities of the researcher (Patton 1990). The author goes on to suggest:

> The skilled observer is able to improve accuracy, validity and reliability of observations through intensive training and rigorous preparation (p. 202).

The candidate's previous research in the fine arts, together with the range of contacts and knowledge amassed during tertiary studies in the field, reflects the preparation and training made in the particular sector. This can improve the level of accuracy and trust within the respondent / observer relationship while also adding a level of familiarity for interviews to be candid and well-founded. Theoretical sampling (Eisenhardt, 2007; Minichiello et al., 1995) also allowed the researcher to include variations identified relevant to the study and to make decisions on what further data should be collected in order to develop the emerging theory. This helped to mitigate bias as preparation in terms of case data collection ensured full access to the knowledge and meaning of informants. Consistent with the analytical induction method this also informed the validity of the sampling categories. Other validity checks included triangulation of sources and methods; peer review (included cross examination of transcribed text and audio to ensure reliability); participant review (interviewees reviewed their responses and confirmed they were an accurate record of the interview) and direct observation of firms, their networks and employees.

4.3.3.5 Multiple Time Analysis

This thesis investigated the effect of change associated with an external intervention. Hence, rather than using one-off surveys that measured a single point in time, this study's circumstance necessitated an approach that considered the situation of change. DAA (2009) detail these as:

- Retrospective – The single survey is carried out after the intervention or policy change has taken place. Respondents are asked about current status or whether their status has altered as a result of an intervention or policy change.
- Double cross-sectional – Two similar surveys are conducted – one prior to intervention or policy change and one after. Different samples are used for the two surveys.
- Longitudinal – Two surveys are conducted – one prior to intervention or policy change and one after. The key difference to a double cross sectional design is that the same sample is used for the two surveys.

This study used a retrospective and longitudinal approach in its attempt to understand – and give an account of – the process of change. This exploratory investigation (Rocco et al., 2003; Tahakkori and Teddlie, 1998) also offered an opportunity to develop further insights into the cluster's character, networks and interdependencies and their relationship to performance. Hence, Tashakkori and Teddlie's (1998) second stage of this research project is discussed in the following section.

4.3.4 Data Collection and Operations

Both primary and secondary data were used in the collection process. This helped to confirm the fine art conceptual model, identify potential participants for retrospective surveys and interviews in addition to capturing the historic and contemporary context. The analysis of this literature also helped to identify sampling categories which were conceptually relevant to the research question.

The collection process proceeded in two stages. First, secondary data was gathered from literature reviews including a compilation of archival records such as annual reports and documents (published research, reports, government and industry association records and contemporary editorial news) that were assembled and analysed to provide the necessary background. The second stage collected data from self-administered and retrospective surveys and its follow-up interviews using a longitudinal research design. Archival evidence provided data to compare operational and strategic positioning while detailing whether innovation and dynamism were enhanced (or diminished). Yin (1994) suggests the use of such documentation is best if used in conjunction with, and to augment, other evidence. Hence, the interviews have been used in conjunction with a conventional questionnaire based survey to analyse the specific changes in relationships that have occurred. The final stage identified by Tashakkori & Teddlie (1998) concerns the type of data analysis and inference and is discuss below.

4.3.5 Data Analysis

The use of the quantitative method was beneficial in identifying relevant distinctive themes while providing a comparative basis for the different time-frames. Initially six key dimensions were established as significant to the investigation. From these six dimensions 19 constructs were identified. These categories acted as reference points and were necessary for three reasons; first, to establish if some cluster activity was already evident prior to dislocation; second to identify variables for comparison; third to provide a structure for the qualitative case study. It is important to note, however, that the quantitative analysis was not used to test the qualitative, or vice versa, but both were used for mutual verification.

The desire to understand the effect of government intervention – and the subsequent dislocation of the lead firm – on the fine art cluster had implications for this study's phenomenological stance and its merit. Hence, recognising the cluster phenomena from the perspective of industry leaders ensured the investigation was informed by internal knowledge sources rather than allowing theory to drive findings. By entering the field of perception of these interviewees, the aim was to appreciate the effect of dislocation and then to look for meaning of these experiences (Ryan, 2004; Creswell, 1998). This in turn was useful in gaining as broad an empirical portrait of issues of change as possible.

Richardson (1994) contends that what something means to someone depends mostly on the discourses that are available to them, in their place and time. Hence, by incorporating the phenomenological paradigm into a positivist research model not only utilised the findings from the quantitative analysis of the previous section but positioned the study reflectively. Such a stance frees writers from the task of writing a single text in which everything is said to everyone (Richardson, 1994). This enables qualitative researchers to validate writing as a 'form of knowing' (Ryan, 2004, p. 42). These interpretivist propositions were influential in the construction of this study as leaders in the industry were asked to speak retrospectively about perceptions, inter-firm relationships and insights from personal experience. This framework therefore offers a narrative to the analysis of the Victorian fine art cluster under conditions of change.

4.3.5.1 The Process

The research process developed within this framework identifies the four stages detailed in Table 4.3.

Table 4.3 Research methodology process

Stage	Design	Reason	Research
1	**Cluster Mapping Social Network Analysis Theoretical Sampling**	Confirming a conceptual model Describing the fine art cluster and a sample that helps to generate theory	**Primary Data:** Initial stakeholder identification and cluster boundaries using social network analysis, snowballing and theoretical sampling **Secondary Data:** Cultural agencies; ABS; Government reports; reports; fine art encyclopedia, listings and magazines; business and news media
2	**a. Self-administered questionnaire** N=7	Retrospective survey used to analyse change between phase 1 and 2. Undertaken during dislocation (2003) reflecting on prior to dislocation (1998).	**Primary and Secondary Data:** Selection of respondents identified from stage 1. Seven potential respondents were contacted by telephone. The researcher and research was introduced and an interview appointment made. A follow-up letter describing the study, together with a self-administered questionnaire was hand delivered where possible. A semi-structured interview of five survey respondents was then undertaken. All were Victorian fine art cluster members from different geographic regions.
	b. Qualitative Interview N=5	Interviews – semi structured, open-ended and retrospective. Survey-interview flow was developed to ensure continuity	
3	**a. Self-administered questionnaire** N=44	Retrospective survey used to analyse change between phase 2 and 3. Undertaken during re-establishment (2005) phase to reflect on dislocation (2000). Longitudinal case established.	**Primary Data:** Forty-four retrospective questionnaires were used to identify and compare relationships and activities of the cluster between 2005 (re-establishment phase) and 2000 (dislocation).
	b Qualitative Interview N=14	Interviews – semi structured, open-ended and retrospective. Longitudinal cases established	**Primary Data:** Interviews undertaken upon receipt of survey from fine art and neighbouring clusters. Two longitudinal interviews from stage 2b + stage 4 were included
4	**a. Quantitative Analysis**	Category Identification of questionnaire.	**Category Identification** of survey: • Reduced variables into six key dimensions; • Used a data-map to identify 19 variables for investigation.
	b. Qualitative Analysis	Comparative Analysis that integrates the perspective of a fine art SME to describe change	**Analysis** Transcribed interviews were cross referenced with secondary data. Themes identified in the quantitative analysis were integrated into the longitudinal study of the fine art SME.

Stage 1 – Social Network Analysis and Sampling

Confirmation of the fine art conceptual model (introduced in chapter two of this study) necessitates identification of cluster members and its boundaries. A social network perspective (Morris, 2006, 2003; Gulati, 1998) ensured that a variety of considerations were undertaken. This analysis revealed the structure of the network (identifying the actors and cluster boundaries); clarified the density of the network (how connected the network was); and detected important actors (which actors were central, power players and which were reliant).

Because a cluster is an ‘open membership’ (Rosenfeld, 1997), links needed to be searched for rather than assumed. Hence, initial stakeholder identification resulted from preliminary discussions with industry partners and mapping of the cluster to describe the fine art industry actors, cluster and to identify the strength and extent of links. The type of procedure used in this instance was ‘snowballing’ (Hussey & Hussey, 1997). This technique ensured objectivity as initial contacts were not asked a direct question regarding ‘membership’ but instead stakeholders identified other actors who played a participatory role within the cluster. Snowball sampling is often associated with phenomenological research as it is essential that people interviewed have some experience with the phenomenon being studied.

While snowballing relies on the researcher’s knowledge of a social situation, theoretical sampling (Eisenhardt, 2007; Minichiello et al., 1995) is a process of data collection which is essentially controlled by the developing and emerging theory. This selection process was guided by the search for contrasts, which were needed to clarify the analysis and identify emergent concepts or themes relevant to the evolving data. The aim of this study was to account for differences in inter-relationships and activity under conditions of change. This required searching for a diverse sample of players who held particular characteristics and were in locations relevant to the research question. The sampling categories include: the cluster (fine art); orientation (public or private);

strategy (profit or non-profit); type (size or position) and geographic location. Table 4.4 illustrates these proposed categories.

Stage 2 – Self-Administered Questionnaire and Interview

Social network analysis and sampling helped to identify fine art representatives for the second stage of this research process. Seven self-administered questionnaires were completed (stage 2a) and survey respondents subsequently interviewed (stage 2b). Both surveys and interviews were undertaken in 2003 (dislocation phase) and gave retrospective answers to 1998 (prior to dislocation). From a total of seven survey respondents, five interviews were undertaken with two players not participating; one due to time restraints, and the other due to personal bias against research applications and its findings. These qualitative interviews (and non-interviews) informed and helped to ensure a confident script for survey-interview flow which was then distributed to the broader industry network.

The five interviews included two firms that were interviewed in both stage 2b and 3b (a longitudinal study framework); and three SMEs that were snapshot interviews undertaken in stage 2b only. Undertaken during dislocation (phase 2) these three interviews gave retrospective responses to phase 1. This is detailed in stage three discussions below.

Each interview provided a personal insight to their survey responses. They also completed a positioning statement of where their organisation sat within the fine art network and in context to the lead firm – the *NGV*. Interviewees plotted their firm during the dislocation phase (2003) while also giving retrospective positions prior to dislocation (1998). Table 4.4 identifies seven surveys for 2003. The flow-on from the survey to its subsequent five interviews is depicted by an arrow.

Table 4.4 Proposed sampling framework for the fine art cluster 2003

Cluster	**Fine Art**															
Orientation	**Public**									**Private**						
Strategy	**Non-Profit**									**Non-Profit**			**Commercial**			
Type	**Lead Firm**	**Education Centre**	**Trade Assoc**	**Large Firm**	**SME**					**SME**						
Geography	I		State	I/State	I	O	R	I/Nat	Nat	I	O	R	I	O	R	I/Nat
Survey	2	1	1	0	0	1	0	0	0	1	0	0	1	0	0	0
Interviews	1	0	1	0	0	1	1	0	0	1	0	0	0	0	0	0
Longitudinal Study	√	-	-	-	-	√	-	-	-	-	-	-	-	-	-	-

I = Inner-Metro; O=Outer-Metropolitan; R=Regional, I/Nat = International; Nat = National; I/State= Interstate

Table 4.5 Proposed sampling framework for fine art and neighbouring clusters 2005

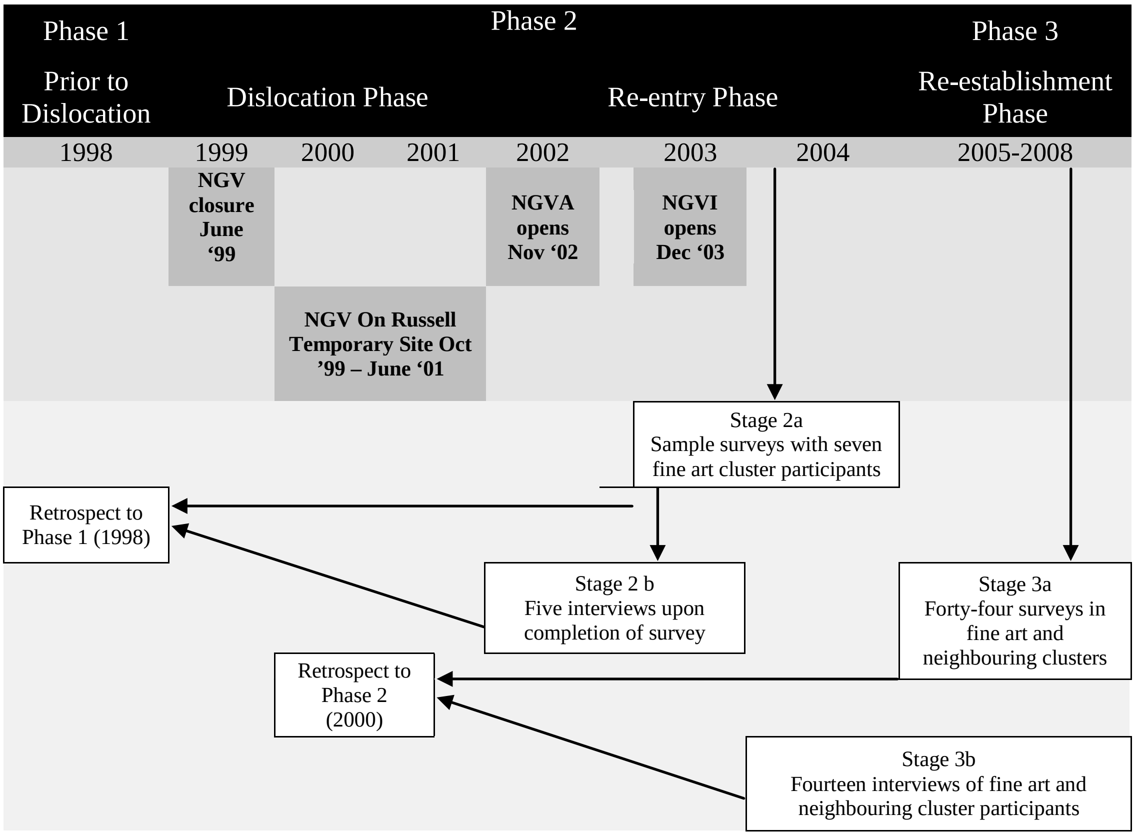
Cluster	**Fine Art**																**Neighbour**
Orientation	**Public**									**Private**							**Public**
Strategy	**Non-Profit**									**Non-Profit**			**Commercial**				**Non-Profit**
Type	**Lead Firm**	**Education Centre**	**Trade Assoc**	**Large Firm**	**SME**					**SME**							**Large Firm**
Geography	I		State	I/State	I	O	R	I/Nat	Nat	I	O	R	I	O	R	I/Nat	State
Survey	5	8	0	1	2	2	7	0	1	2	0	0	10	0	0	1	5
Interviews	6	1	0	0	0	3	0	0	0	0	0	1	0	0	0	0	3
Longitudinal Study	√	-	-	-	-	√	-	-	-	-	-	-	-	-	-	-	-

I = Inner-Metro; O=Outer-Metropolitan; R=Regional; I/Nat = International; Nat = National; I/State= Interstate

The selection process employed for this survey and interview is judgmental (Hussey & Hussey, 1997) as the participants were identified on two grounds. First, the basis of their involvement, second, their significance to the case SME and the possibility of comparing change from a longitudinal stance. Respondents were contacted by telephone, introduced to the study and an interview time made. Due to the intimate nature of the industry, a broad sweep questionnaire would not have been efficient or effective as the industry has a strong social 'norm' that necessitates relationship.

Stage 3 – Self-Administered Questionnaire and Interview

The second round of self-administered questionnaires and subsequent interviews was directed toward participants in the fine art and its neighbouring clusters. Identified through network analysis, snowballing and theoretical sampling this larger sample comprised a total of 44 survey respondents and 14 interviewees. These included industry managers, directors and owners of firms from multiple Victorian regions as well as interstate, international and national bodies. Respondent surveys and interviews were undertaken in 2005 (re-established phase) and provide retrospective answers to 2000 (dislocation phase). Table 4.5 above shows the sample of cases and its categories while Figure 4.3 below illustrates the time line, stages and retrospective phases under investigation.



Stage 2a: **Seven surveys**: October 2003 (dislocation) retrospective to 1998 (pre-closure)
Stage 2b: **Five interviews**: October 2003 (dislocation) retrospective to 1998 (pre-closure)
Stage 3a **44 surveys**: April–Dec 2005 (re-establishment) retrospective to 2000 (dislocation)
Stage 3b: **14 interviews**: April-Sept 2005 (re-establishment) retrospective to 2000 (dislocation)

Figure 4.3 Time line and retrospective phases

Stage 3a – Quantitative Survey Instrument

The process of selecting survey respondents was guided by the search for a diverse sample relevant to the study and who had a general understanding of the phenomena under investigation. Large public firms from neighbouring clusters fitted this criteria ensuring that well established relationships were accounted for. Neighbouring SMEs and its private sector however, were not deemed as relevant due to their weaker social and economic links.

Stage 3b – Qualitative Interview

Upon completion of the retrospective survey, a sample of fourteen fine art and neighbouring cluster members were interviewed. Open-ended and semi-structured, they followed a similar format to the retrospective questionnaire. Interviewees offered their personal insights together with a positioning statement that plotted their firm during the re-established phase (2005) and retrospective positions from the dislocation phase (2000). Public and private sector representatives included education centres (university galleries and art schools), the lead firm, SMEs as well as government bodies in neighbouring industry clusters.

Interviews ensured that respondents' understanding of the study was reinforced. It also ensured the interpretations of cluster dynamics were recognised. This contributed information that may have been missed by adopting only one perspective. This aided the interpretive understanding of the cluster and its inter-relationships.

From a total of 19 interviews, five were from stage 2b and 14 from stage 3b. A key element to this analysis was the inclusion of the perspective of the lead firm and a single fine art SME interview undertaken during dislocation (2003) and again upon re-establishment (2005). This longitudinal approach offered a solid foundation for understanding issues of change with views given for the three phases. This was especially relevant in understanding the research site prior to dislocation and the effect of the lead firm's exit and re-entry. Figure 4.4 illustrates the interview time line, stages and the two longitudinal interviews of stages 2b and 3b.

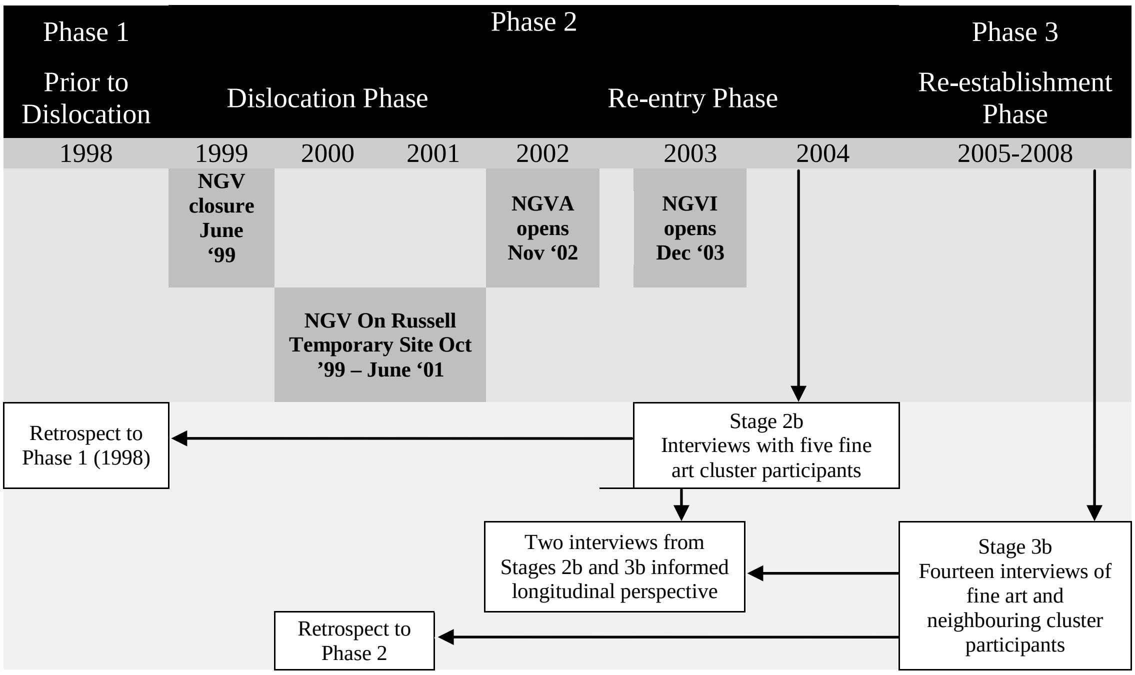


Figure 4.4 Interview time line and retrospective phases

Stage 4a – Quantitative Analysis

Analysis proceeded in two stages.

1. Identification of categories: The survey identified six key themes. These measures included perception of *NGV* activities; relationship to focal firm; collaborative links; competitive environment; joint working relationships and collaboration. A number of contextual and demographic variables were also described.
2. Identification of variables: A data-map identified 19 constructs and their relevant descriptors. These are detailed in Appendix H.

Stage 4b – Qualitative Analysis

In total, 19 in-depth interviews were transcribed and analysed. They included five cases from stage 2 and 14 from stage 3 of the research process. A breakdown of firms involved is illustrated in Table 4.6.

Table 4.6 Interview details by phase, cluster and type N=19

<table>
<tr><th>Phase</th><th>No of interviews</th><th>Cluster</th><th>Type</th><th>Retrospective design</th></tr>
<tr><td rowspan="3">Phase 2: Dislocation</td><td rowspan="3">5</td><td rowspan="3">Fine art</td><td>SME (x3)</td><td rowspan="3">Retrospective to phase 1 (1998)</td></tr>
<tr><td>Lead firm (x1)</td></tr>
<tr><td>Trade Assoc (x1)</td></tr>
<tr><td rowspan="2">Phase 3: Re-established</td><td rowspan="2">11</td><td rowspan="2">Fine art</td><td>SME (x5)</td><td rowspan="2">Retrospective to phase 2 (2000)</td></tr>
<tr><td>Lead firm (x6)</td></tr>
<tr><td rowspan="3">Phase 3: Re-established</td><td rowspan="3">3</td><td>Arts (x1)</td><td rowspan="3">Large public entities</td><td rowspan="3">Retrospective to phase 2 (2000)</td></tr>
<tr><td>Culture (x1)</td></tr>
<tr><td>Tourism (x1)</td></tr>
</table>

One fine art SME and the lead firm were involved in two rounds of interviews. This included during dislocation (phase 2) and re-establishment (phase 3). This SME perspective was used as an alternative ‘parallel process’ (Myers, 2001) to the longitudinal research design and to mirror critical incidents that may have relevance to this study’s changed conditions. This provided another level of comparison that offered insight into industry characteristics and behaviour during the dislocation of the key player.

4.4 Summary

This chapter outlines the methodological approach adopted for this study. Its longitudinal design is justified and data triangulation has been incorporated to provide a solid research basis. The study's emphasis on cluster activity, processes and its retrospective approach using cluster phenomena as the theoretical base provided an opportunity for comparability and hence theory building. A mixed method approach allowed both the qualitative and quantitative data to be readily combined to create an analysis that was representative and comparable. This also provided potential to extract those factors that might otherwise be obscured by adopting a narrower approach. The significance of validity, reliability and generalisability were recognised as important; consequently, the research design and method have been developed to maximise the legitimacy of results and the consistency of outcomes.

Chapter Five Mixed Methods Analysis

5.1 Introduction

This chapter examines the Victorian fine art cluster's industrial organisation as well as identifying the impact of the Government's intervention policy. Based on this study's combined qualitative and quantitative methodology, it describes and reports on the interactions and inter-relationships within the cluster over three transition phases.

In a bid to understand change, this discussion utilises the themes identified in the quantitative analysis to examine the qualitative data gained through in-depth interviews. This mixed method approach provides consistency and structure to the enquiry as elements can be compared over time: identifying how, and to what extent, dislocation of the key player affects the cluster's functioning. The comparative analysis interprets interviewee responses from a longitudinal, real-time and retrospective inquiry of three situations; first, an exhibition program instigated by the *NGV*; second, a State Government incentive directed at local supply networks and third, a single case of one entrepreneurial firm observed over time.

The chapter demonstrates that the Victorian fine art cluster's industrial organisation consists of a strongly embedded family of actors and competitors that frequently engage in inter-firm cooperation. The discussion explores how the sector's inherent social make-up, and capacity to interact within and outside its domain, plays a crucial role in creativity and innovation. As a dynamic system, the subsequent spillover effects add a hybridised vigour to a broad range of economic, cultural and social contexts.

In its endeavour to recognise and examine any pattern of change, the following analysis investigates time-space relations with the objective of making informed responses to the primary research question. This approach also makes it possible to compare behaviour and activities over time, providing a more complete understanding of the reality of change and factors relating to innovation.

5.1.1 Respondent Groups

Survey respondents and their subsequent interviews provided a clear direction for understanding the fine art system's dynamics and issues of change over the three transition phases. To ensure a consistent and reliable appreciation of the effect of dislocation and re-entry of the key player, it was important to acknowledge which firm was under analysis and position the discussion in the context of SMEs, the *NGV* and the broader network. While it was critical to ensure anonymity of individuals, interpretation of responses necessitated the categorisation of identifiable groupings of firms, distinguished by its orientation (public or private), strategy (profit or non-profit), type (size or position) and geographic location. Moreover, the possibility of biased self-reporting by participating firms had the potential to skew perceptions of its role and relationships with other respondent groups. Therefore, when identifying issues involving the focal firm it was important to balance *NGV* responses against other SMEs and institutions. Similarly, the voice of SMEs have been counterbalanced with competitor and key player contributions.

For the purpose of this research, the interconnections between cluster members have been defined either as informal social systems or as formal structures whose proximity may be geographic or functional. Hence, the position a cluster member occupies is a matter of great strategic importance and can reflect how it may influence the actions of other actors. This also necessitates that participant firms are grouped together in identifiable categories to ensure that a true interpretation of circumstances are evident to the reader. An overview of participant firms (PF), their location and year of interview have been provided in Appendix I.

5.1.2 Introducing Three Integrated Situations

To position this exploratory investigation within its context, informant's responses are integrated into three case study situations. The first includes a lead firm exhibition program – *Access Gallery* – and is discussed in terms of the *NGV*'s perceived activities and leadership role. The second focuses on a State Government incentive that was introduced during the dislocation phase – The *Victorian Foundation for Living Australian Artists*. Regional responsibilities and collaborative links between supply and demand networks are considered within this scenario. A narrative of a single entrepreneurial firm observed over time sets the scene for the third account. This adds insight into the intangible assets of networking and interdependency. The focus of this discussion is collaboration and concludes that, for a cluster following a growth strategy, the outcomes of social networks are considerable.

5.1.3 Parameters of the Research Framework and Category Themes

Working within the confines of Chapter Three's research framework (illustrated in figure 3.1), this enquiry focuses on the cluster's configuration, regional responsibility, systemic character and the intangible assets of networking and interdependency. The parameters of the research and its category identification themes are presented in Table 5.1.

Table 5.1 Parameters developed from the research framework and category themes

Category Identification Themes	Analysis Constructs	Research Framework Dimensions	Research Framework Descriptors	Cluster Assets
Perception of NGV activities	Driver Boundary Spanning	Focal Firm	Cluster Configuration	Tangible Asset
Relationship to the focal firm	NGV's Cooperation SME's Cooperation Mutual Cooperation	SMEs		
Collaborative Links	Melbourne Regional Interstate Input	Regional National	Regional Responsibility	Tangible Asset
Competitive Environment	Cooperation Competition Benchmarking	Institutional Behaviour; Norms and Practice	Systemic Character	Tangible Asset
Joint Working Relationships	Relationships: - With support sector - Between Businesses - Between Sectors - State-Wide	Related and Supporting Entities (including Government, Businesses and Community)	Networking & Interdependency	Intangible Asset
Collaboration	Growth Potential Networking Developing Core Competencies	Development Orgs; Business and community		

5.2 Quantitative Study

The questionnaire for the quantitative analysis was based on an extensive literature review and developed from a pilot study that was directed to senior management of the fine art and related industries. A category identification of the survey reduced the variables to the six key themes detailed in Table 5.2.

Table 5.2 Data-map for quantitative analysis

Themes	Constructs	Variables
Perception of NGV activities	Driver	Expertise / knowledge; policymaking; standard setting
	Boundary Spanning	Promotes art in Vic, seeks new artists, visitors and users; joint activities; exclusive to arts
Relationship to Focal Firm	Organisation's cooperative relationship	Organisation supplies knowledge / expertise; information source
	NGV's cooperative relationship	NGV supplies products / services; knowledge / expertise; information source
	Mutual Relationship	Joint activities between NGV and organisation
Collaborative Links	Melbourne	Metropolitan commercial; public, NGV; art groups and suppliers;
	Regional	Regional commercial; public; art groups; and suppliers;
	Interstate	Interstate commercial; public; NGV; art groups and suppliers;
	Input	Government funding and Melbourne supplier networks
Competitive Environment	Cooperation	Co-located similar organisations provide information / knowledge / skills and work closely with other similar co-located firms
	Competition	Co-located similar organisations are direct competitors; important to success and influenced by other co-located similar firms.
	Benchmarking	Awareness of and higher standards than similar co-located firms
Joint working relationships	Support Sector Relationship	Government, research community and infrastructure; museums; special events; education centres, sponsors and philanthropists
	Relationship Between Businesses	Commercial and public firms; suppliers;
	Relationship Between Sectors	Tourism, Culture, Arts, Finance etc
	State-Wide Relationships	Victorian based suppliers; art groups and communities.
Collaboration	Growth (Potential)	Access new technology; increase market demand; new customers; enhance reputation; innovation / product dev; joint trade fairs and marketing; access new markets; joint market research.
	Networking	Access export markets; inter-organisation referrals; knowledge sources.
	Develop Core Competencies	Access skilled labour / expertise and goods / services.

This data-map categorised the cluster's focus and distinguished 19 constructs of clustering and cluster behaviour. This process helped in understanding the cluster's behaviour in terms of location, inter-relationships and activity and the importance of cooperation and competition (or a combination of the two).

5.2.1 Survey Construct Descriptions

The following section describes the defined themes and 19 measures of clustering. The first area of interest focusses on how the lead firm is perceived by other businesses within and outside the fine art cluster. This is followed by relationships with the focal firm, collaborative links between regions, its competitive environment and joint working relationships. The final discussion examines collaboration and its relevance to developing core competencies and cluster growth.

The initial four survey questions ask informants to describe their firm's activities and where it may fit within the cultural, tourism and fine art domains. This helps to situate the firm in context to the cluster's structure. It also clarifies the standpoint of the respondent firm and how it may perceive change dynamics and relationships. This provides a foundation for the remaining issues.

5.2.1.1 Perception of NGV Activities

Question five of the survey identifies issues involving the lead firm, where respondents are asked to describe the nature of the *NGV*'s activities. Two constructs are identified for analysis. The DRIVER function includes the expertise and knowledge capacity of the *NGV*, its role in setting standards and policymaking. BOUNDARY SPANNING activities, on the other hand, help to extend cluster boundaries. Respondents' view the nature of the *NGV* in terms of promoting art in Victoria; seeking new artists, visitors and users; its joint activities; and whether it is exclusive to the arts.

5.2.1.2 Relationship to the Focal Firm

Respondents are asked to identify how their organisation relates to the lead firm in question six of the survey. Due to the nature of the question, *NGV* respondents are not included. This question investigates the issue of ‘intra-cluster’ relationships from the perspective of SMEs, while the perspectives of neighbouring organisations provide insight into extra-cluster dynamics. The aim of this question is to indicate the significance of the cluster’s tangible assets in terms of the fine art cluster’s configuration as well as the direction of relationships. COOPERATIVE RELATIONSHIPS could be established as either mutual or independent. Thus, relationships could be one-way or alternatively shared cooperatively. Three analysis constructs therefore include the ORGANISATION’S COOPERATIVE RELATIONSHIP; *NGV*’s COOPERATIVE RELATIONSHIP and a MUTUAL RELATIONSHIP between players.

5.2.1.3 Collaborative Links

Question seven of the survey asks respondents to comment on active collaborative relationships with other organisations and indicate the importance of these links to the success of their organisation. The extent of collaborative links between players and the geographic reach of these connections are placed under scrutiny. Regions include MELBOURNE (inner and outer-metropolitan districts) REGIONAL VICTORIA and INTERSTATE. The collaborative INPUT from support organisations such as Government bodies and supplier networks are also included. Respondents indicate the level of importance of these links over two time-frames for comparison.

5.2.1.4 Competitive Environment

Respondents are asked to describe their local competitive environment over time in question eight of the survey. This question investigates competitive behaviour within the cluster from two fronts. The first issue is cluster dynamics in terms of the level of cooperation, competition or co-opetition of players and the collective. The second issue investigates co-location; this is defined as competitive behaviour within an eight kilometre radius of the respondent’s firm. The analysis constructs are identified as

COOPERATION, COMPETITION and BENCHMARKING. This helps identify the cluster's systemic character, its institutional behaviour as well as the norms and practices of the collective. The ability to share knowledge and work closely with similar co-located firms offers insight as to whether participants see themselves as a cluster with common objectives, or alternatively identify themselves as direct competitors operating within an asymmetric framework.

5.2.1.5 Joint Working Relationships

Question nine of the survey asks respondents to indicate the type of joint working relationships undertaken. Comparisons are made over two time-frames. This question distinguishes the depth of relationships in terms of ongoing, infrequent or no relationship with other organisations. RELATIONSHIP constructs include horizontal, lateral and geographic (state-wide).

Horizontal relationships with the SUPPORT SECTOR include government, the research community and infrastructure. Lateral relationships are BETWEEN BUSINESSES within the fine art cluster and BETWEEN SECTORS including the tourism, culture and creative industries. This contrasts STATE-WIDE relationships which focus on other firms and clusters in a geographical or regional context. This emphasises issues of co-location or whether a firm is geographic dependent or constrained.

The breadth of the cluster is indicated by the range of horizontally related industries (Enright, 1996) which can be an important link in cooperation and competition within the cluster (Jacobs & De Man, 1996). Extra-cluster activity is also significant in the industry's capacity to learn from other cluster initiatives. By contrast, lateral relationships link and share related sector capabilities (Jacobs and De Man, 1996) between BUSINESSES within the cluster (intra-cluster) and SECTORS (extra-cluster). This can inspire and help create new combinations of cluster elements. For example, cultural tourism is evidence of cross sector relationships. When an organisation adds complementary elements from other firms to produce a new combined product (culture and art) its effectiveness is enhanced by hybrid vigour. This hybridisation also leads to more dynamic synergies and may add and extend boundaries to include those of its neighbouring industries and enterprises. Table 5.3 details the intra-cluster and extra-cluster relationships in terms of its horizontal, lateral and geographic disposition.

Table 5.3 Joint working relationship comparison

Relationships	Intra-cluster Indicators	Extra-cluster Indicators	Cluster Indicator
Horizontal	Support sector initiatives Link cooperation and competition	Learning from support sector	Breadth of cluster
Lateral	Synergy between businesses and sectors	New combinations of cluster elements	Dynamics of cluster
Geographic	Support regional networks or initiatives	Interaction with other clusters in a region	Positive local focus

The depth of relationships, geographic extent, together with focal firm interactivity offer some indication of the potential of being defined as a 'working' and functional cluster. As the first key element in the investigation of the cluster's intangible assets, the 'joint working relationships' analysis construct helps to establish the level of networking and interdependency within and between the fine art domain and its neighbouring clusters.

5.2.1.6 Collaboration

Respondents were asked to indicate the importance of collaboration with other organisations over two time-frames in question ten of the survey. Collaboration identified three constructs – GROWTH POTENTIAL, NETWORKING and DEVELOPING CORE COMPETENCIES. Collaboration with knowledge networks such as education centres and government bodies can help to develop core competencies, a skilled labour force and stimulate further interactivity. This can subsequently indicate the cluster's potential and its ability to access new knowledge networks, resources and information necessary for innovative activity. Identified as the second theme of the cluster's intangible assets, this helps to establish the level of networking and interdependency within and between the fine arts and its neighbours.

5.2.2 Summary

The themes and analysis constructs identified in this chapter's quantitative process assist in shaping the direction of enquiry and form an integral part of the following section's qualitative examination of the fine art system. This ensures a consistency in this study's endeavour to understand the cluster under conditions of change.

5.3 Qualitative Study

The six identified themes and 19 constructs described in the quantitative analysis provide a focus for the qualitative examination of the Victorian fine art cluster. This framework sets the foundations for the following section and its research direction. It builds on the discussion of change by matching the identified themes and constructs with relevant scenarios and informant insights. This offers greater depth to the narrative while providing an opportunity for analysis of the fine art cluster over time.

5.3.1 Perception of NGV Activities

In an effort to investigate the cluster's configuration and understand its organisational structure, informants were asked about the lead firm, its activities and inter-relations with the *Gallery*. Responses were important for two reasons; first, a lead firm's activities can give a cluster an identity (Rosenfeld, 2001) and help drive industry and regional development. Second, SMEs that make up the remainder of the cluster can be understood in context to the fine art industry's governance structure and its network of relationships. Table 5.4 details the identification theme and research descriptor under investigation in this section.

Table 5.4 Category identification theme and research descriptor

Category Identification Theme	Analysis Constructs	Research Framework Dimension	Research Descriptor
Perception of *NGV* activities	Driver Boundary Spanning	Focal Firm	Cluster Configuration

The quantitative data suggests that the lead firm is a DRIVER of activity, standards and expertise. It also indicates the *NGV*'s BOUNDARY SPANNING role in promoting art in Victoria, including into the broader business and visitor community. Hence, in an effort to examine the type of DRIVER that the key player is – and its role in extending cluster BOUNDARIES – informants from both the fine art and neighbouring clusters offer insight into how they perceive the *Gallery*'s activities. These perspectives are contrasted against the lead firm's own interpretation of its strategic position. Further, the disciplines that interviewees work within present a range of viewpoints that vary from an operational standpoint – such as curators or directors – to a marketing communications perspective. This helps create a depth and breadth in understanding the *NGV* and how it is perceived from within its own confines and externally.

Respondents also offer a longitudinal perspective as they are interviewed during two phases of transition, first in 2003 during dislocation and again during the re-establishment phase in 2005. This comparative analysis provides an opportunity to either reinforce the focal firm's central position within a hub and spoke network or establish it as a positive, collaborative influence that drives activity as well as extending the cluster's boundaries.

To examine how the *NGV* is perceived by informants, this section concludes with a discussion that focuses on one particular lead firm activity – *Access Gallery*. This innovative exhibition program, established in the pre-dislocation stage, is tracked over the three transition phases. This narrative provides an overview of the cluster's tangible assets and the *NGV*'s perceived role as a DRIVER and BOUNDARY SPANNING entity.

Lead firm respondents are consistent in describing themselves as protagonists (PF5, 2005; PF7, 2003; PF8, 2005) in driving activity, standards and expertise within the fine art and cultural domains. *NGV* respondents also portray a key player that forges a cooperative and engaged network and whose lead firm strategy is admired by both the regional and industrial fine art and cultural cluster members. In contrast, reflections from *non-NGV* interviewees suggest a hub firm that dominates inter-firm knowledge exchange and interactivity rather than acting as a DRIVER of innovation.

Describing itself as a 'major player' (PF7, 2003, p.1) or 'leader' (PF8, 2005, p.4) its purpose and activities suggest one of cooperation as well as community engagement. Lead firm respondents however are remiss in establishing the *NGV* as an innovator – both in terms of its BOUNDARY SPANNING efforts into the industrial fine art domain and its local community and as a DRIVER of an engaged, collaborative fine art sector. Instead more traditional models of evaluating success are limited to 'visitation' and the NGV's 'collection' (PF8, 2005, p.4).

While acknowledging that the lead firm has broadened its operational and marketing efforts over time, non-*NGV* public sector respondents (PF1, 2005; PF2, 2005), point out that the lead firm's strategy is centred on reinforcing its own key position within the cluster rather than the collective. Moreover, its capacity to engage a broader audience through staging internationally significant exhibitions is in lieu of innovative BOUNDARY SPANNING efforts. This contrasts the *NGV's* consistent appraisal of itself as a 'leader' within the regional and industrial cultural arena and as a 'significant' player within the international fine art domain (PF8, 2005, pp.4–5):

> (The *NGV*) … is a … leader rather than just fitting in … one of its roles is to lead. [For example] … we meet with a group who represent all the [cultural] agencies Australia wide … and obviously we are the key people there. We meet to share information and encourage people … and it is quite obvious that the *NGV* is really quite a leader in all fields.
>
> *Interviewer: on a national field?*
>
> PF8: Yep, yeah and in fact we would probably provide advice … we hosted it [the forum] here [in Victoria] and showed them what [the *NGV* had] done and talked about our [fundraising] campaign and they were quite amazed …
>
> *Interviewer: Has that been brought on by the redevelopment?*
>
> PF8: We operate on a completely different scale and the monies that we need to operate are just quite different to the scale of the others [national public entities] … I would think that with two campuses and staff and what has happened. Our renovation project, our building project was one of the largest arts projects in the world at the time. So that is fairly significant stuff.
>
> *Interviewer: So you are actually saying [the* NGV *is]… a key player at the national forum, but as an international player?*
>
> PF8: Well we're up there, I mean our visitation … put us in the top 20 [galleries in the world in 2004] … and our collection is quite significant too, so, although we are not the Louvre, and all those big places, we are significant … We're always right up there and that is why we are called the *National Gallery*.

The lead firm's positive geographic and industry focus suggest its knowledge sharing capacity is directed toward both spatially co-located players as well as the broader cultural industry network. It is also noted that the *NGV* acts as a key part of the national support infrastructure and maintains a strong regional context. However, its approach to knowledge sharing does not suggest a synergy between players but a relationship between a focal firm and others. Information sharing and interaction appears to be directed only one way, with the lead firm showing little evidence of spontaneous collaboration or learning from other player's initiatives. Moreover, positioning itself as an international player and 'national gallery' suggests an element of superiority – while also proposing a degree of rivalry between Victoria's State Gallery (*NGV*) and the *NGA* in the nation's capital.

The *NGV's* collection adds significant status to the city's attractiveness as a cultural destination. Perceived as a healthy marriage between the arts and economics (Giblin, 1995; CHTR, 1994), the *Gallery*'s BOUNDARY SPANNING efforts into the tourism arena has thus been accredited to its reputation and its capacity to safely house large scale exhibitions from overseas and interstate. However, upon close examination, a lack of synergy between the cluster's hub firm and its smaller players becomes evident. Instead, this apparent BOUNDARY SPANNING activity propels the lead firm's domination within the fine art network – but to the detriment of innovative activity and engagement with SMEs that make up the remainder of the cluster.

Two outer-metropolitan public SMEs (PF1 and PF2) provide insight into the purpose of a state art museum and perceived role of the *NGV*. Descriptions however do not reflect activity from an innovative perspective, but instead project traditional analogies around the issue of scale and subsequent flexibility in managing large scale shows. PF1 (2005, p.6) for example acknowledges that, due to its size and mandate the *NGV*'s function is 'much broader' than other public galleries within Victoria, while PF2 (2005) considers the transition from its primary caretaking role to one that has expanded into the cultural tourism arena. PF2 (2005, p.6) explains:

> … the state institutions almost have to be all things to everyone … but primarily (it is) looking after the collection, running public grams, education programs … [*NGV* curates] … specialised exhibitions … They also take in … they have the flexibility to take in many more of the large travelling shows from international [businesses] or from interstate. So for instance they have their Melbourne Winter Masterpiece series, which … currently has [international loan] exhibits including Dutch Masters [2005] … Impressionists [2004] …and will have Picasso [2006].

Informants from the *Gallery*'s marketing and operations areas are consistent in establishing the *NGV's* collection as a crucial reference point in maintaining its position as a key player (PF5, 2005; PF8, 2005; PF7, 2003). Over time, however, the emphasis has changed from this focus to one that also showcases artwork from other institutions

(PF6, 2005). This BOUNDARY SPANNING activity not only develops the marketing arena of the *Gallery* but reinforces the importance of its reputation as a business and a safe destination for staging internationally significant art. Hence, issues of governance and business acumen have become key ingredients in sustaining a diverse exhibition schedule that runs in parallel with the *Gallery*'s own collection and knowledge sources. The *NGV*'s role in maintaining its national and international profile is discussed by a lead firm's representative (PF6, 2005, p. 3):

> … it seems like at the moment [the *NGV*] … are concentrating a lot on things like governance and more business type practices. I mean clearly the curatorial is still a large area …its knowledge base … Clearly *NGV* are about exhibitions … maintaining the collection, caring for that collection and about exhibiting that collection and its relevance to other works of art that contribute to the broader picture of art, I suppose within our community – and that is both international and Australian …

The NGV's expertise and internal knowledge resources is beneficial in establishing it as a DRIVER of standards and contributing to community engagement. However, while the *Gallery* is perceived as setting high industry standards it does not appear to be proactive in helping other members achieve higher benchmarks. The role of the collection and knowledge management of the lead firm's specialist workforce is elaborated upon by PF6 (2005, p.2):

> [The *NGV* and its collection has] … something of a leadership role [in what] the *NGV* forms in terms of industry standards …professional standards … particularly our conservation area … It means the collection is cared for but is promoted as best practice … to other organisations too
>
> *Interviewer: … that others perhaps follow?*
>
> PF6: … for sure, yeah … and sometimes that is not necessarily such a clear and obvious part. It might be through establishing a practice that then is observed by others. It is not like we are big brother telling people what to do; I think it is nothing like that.

PF6 (2005) suggests that the *Gallery*'s capacity to share its expertise and capabilities is far less formalised than that proposed by *NGV* colleague PF8 (2005). Nevertheless, both PF6 (2005) and PF8 (2005) establish the *NGV* as a significant player in the transfer of explicit and tacit knowledge and in driving professional standards within the sector. Its expertise and specialist workforce also offers opportunity to extend formal and informal information exchange both within the local fine art cluster and globally.

In light of the inherent problems of capturing tacit knowledge and its difficulty in being shared, its effective transfer requires extensive personal contact and trust. The *NGV*'s curatorial and conservation arenas seem to play a significant part in assisting the transfer of such know-how. This practical and functional interaction can also be sustained over extended time and distances reinforcing long term links between institutions and their specialised workforce. An insight into the role of the curator is provided in Appendix J.

The *NGV*'s ability to attract large touring exhibitions from international and interstate institutions offers significant opportunity to cultivate formal relationships into more personal, informal relations. In staging these major events, external sources of information and the integration of ideas from cooperating partners can then be developed and shared. While it could be argued that these travelling exhibitions are mostly 'pre-packaged' exhibits, considerable learning can take place – much of the time unselfconsciously – about different aspects of curatorial practice and conservation. This information, in turn, may then be incorporated in marginal improvements in local operations and practice. While these processes and design efforts may not be considered innovative, the upgrading and professional standards can be accumulated and significant in maintaining the lead firm's competitive edge. This in turn has flow-on effects for SMEs and the ability to access professional global practice.

The *NGV*'s capacity to engage with international and national networks reflects the synergies that can be obtained by bringing together unique combinations of talent, skill and ideas from different traditions and creative capacities. From this perspective, the prospect of the *NGV* forming a key leadership role is relative to increasing opportunities for complementary interaction. Moreover, its activities in standard setting and management of knowledge, position the *Gallery* as an influential link within the industry's specialised workforce. As knowledge management (Kakabadse, Kouszmin & Kakabadse, 2002) is understood to be at the forefront in leveraging competitive advantage, the *NGV* can be firmly established as a key focal firm within the fine art regional and industry cluster.

While SMEs appreciate the lead firm's broadened interest in cultural tourism and entertainment, many perceived the *Gallery*'s BOUNDARY SPANNING efforts are limited. Veterans within the public system suggests that upon re-establishment, the *NGV* is 'myopic' (PF1, 2005, p.11), lacks vision and that the *NGV*'s systemic character dictates its inability to interact or react to the broader community – with one SME categorically stating that the *NGV* 'are so afraid' (PF9, 2005, p. 29).

Despite public gallery informants identifying the lead firm as having 'enormous power because [of] their connections into donor bases and ... into government' (PF2, 2005, p.21) the *NGV* is also perceived to be a follower to its political masters (PF1, 2005). Hence, rather than acting as a lead firm that develops social policy and a vision of inclusion, its hierarchical co-ordination mechanisms – and the State Government's directive – propose otherwise. Long standing SMEs within the cluster suggest that in the pre-dislocation phase, the *NGV* was driven by vision rather than government objectives of increased visitor numbers. Informants provide SME perspectives from two time-frames. Providing insight during the dislocation phase, a not-for-profit start-up suggests that the *NGV*'s pattern of interaction is limited and is not able to envisage any change in future behaviour. PF10 (2003, p.15) reasons:

> No change, I couldn't see that changing really. Because I just think that the *NGV* has a particular kind of attitude to the rest of the world. They are (in) a little world of their own. I don't see them reacting all that much with the arts world outside – unless it is a highly desirable event for them … I know I am generalising madly here, but, for example when … the *NGV* … was running the *Access Gallery* [pre-dislocation phase], there was huge interaction with the outside world … You don't see anyone doing that now, I really don't. I see … my perception is of a fairly remote organisation except for those who are in that kind of contemporary art circle(s).

Public start-up PF1 (2005, p.11) compares phase one (pre-dislocation) to that of phase two (re-establishment of the lead firm) to illustrate the change in the competitive environment and the subsequent leadership style of the *NGV*:

> *NGV* is under so much pressure from Government to perform … [the Government] expect a significant increase in audience which was always an unrealistic expectation … it is all this thing about in the arts facility really being able to generate its own revenue ... So they [*NGV*] are under so much pressure from their political masters … they are myopic … I don't think there is any metal in the [*NGV*'s] leadership and governments in the end are only as good as the information they are being given … the right sort of director [names past director from phase 1] … you've got to respect him [as] someone who had a clear vision about the role of the art gallery within a community and he would not be intimidated by a board or a minister about putting forth that vision.

Also interviewed during the dislocation phase, PF4 (2003, p19-20) provides an industry development perspective on the lead firm's change dynamics:

> … it's been hard for the *NGV* to (do) …what they want to aspire [to] … or maybe their idealism to do for the regions or the outer [metropolitan districts] or … our members because of the total preoccupation with the buildings, and what they're currently doing [restructuring] … [but] it still remains to be seen [whether that will change in 2005]… they want to do a lot but … they just can't get … the practical resources or they're hindered by precedence. I think there is potential to do some exciting things, but … [over] the last

> few years it is … focussing on the building projects. But hopefully we'll be able to do something … [in the future].

While cluster boundaries have been extended in the re-establishment phase, the *NGV*'s BOUNDARY SPANNING efforts with SMEs are perceived to have regressed. Hence, while the lead firm's ability to drive the sector is evident, SME informants are consistent in arguing that many areas of potential growth were overlooked. This is perceived to be to the detriment of the cluster. PF9 (2005, p.13), a community-focussed public SME in the outer-metropolitan region, reinforces the NGV's status as a lead firm that drives standards and an international focus – but with a twist that suggests its leadership role may not be as accomplished as it should.

> … [*NGV*] they're tragically setting standards, providing an international focus. They … I mean I love the *NGV* … they can do things bigger and better, they can pull things from overseas, they are the major force in terms of giving us, Melbournians, access to the world's best art so in that regard they are the main game.

SME critics deliberate on the lead firm's management and marketing strategies and challenge the notion of extending boundaries. Instead they perceive the *NGV* is neglecting key incentives that might develop the internal dynamics of the cluster.

Community-focussed public SMEs are especially critical of the *NGV*'s style of management stating it has 'lost touch' (PF9, 2005, p.6). Others express frustration at its limitations and feel that the *Gallery* is not delivering on its product development potential and 'not leading in the contemporary art field' (PF1, 2005, p.8). This is reflected in the lack of support for the contemporary work of Victorian indigenous artists (PF1, 2005, p.8):

> I think Federation Square [*NGVA*] is the most remarkable missed opportunity [for example] … you walk into the indigenous art gallery [and] there is one [local] indigenous artwork there and it is by good ol' William Barak (c. 1820–1890). I mean how long has he

> been dead? A great Elder … you've got the Wurundjeri [traditional custodians of Melbourne] message, great, but I mean they have recently acquired [contemporary indigenous] stuff but you know …

While the unique selling proposition of a local indigenous collection is perceived to be a missed opportunity, informants also suggest the *NGV* lacks leadership in developing inter-firm relationships and distributing resources to the smaller players. An arts policy-making entity reinforces this notion, declaring 'it is not the most naturally collaborative or outward looking organisation amongst the [eight government] agencies' (PF11, 2005, p. 12). Perceived as a self-focussed, PF11 argues that the focal firm 'seem incapable … of stepping outside the mindset of being the *NGV*'.

Despite the legislative charter that dictates its leadership role, the *Gallery*'s systemic character and competitive orientation appear to restrict knowledge flow and hinder distribution of resources to SMEs. Informants describe an asymmetric competitiveness model as the key player is perceived as a 'silo structure' (Ffowcs-Williams, 2010; DCITA, 2004; Ninan, 2004). Development agency PF11 (2005, p. 12) reinforces the notion of a focal firm that shows little evidence of spontaneous collaboration:

> It [the key player] doesn't naturally look outward to say, 'What could we send out to the regions or how could we help the regional galleries or how can we provide skill development programs for emerging curators that don't work in the *NGV*?' It doesn't!

The *NGV* is described as a self-centred entity. This focus, together with its top-down approach suggests a focal cluster configuration (Jacobs & De Man, 1996) or hub and spoke network (Arikan, 2009; Perry, 2005; Gray et al., 1996). As the dominant coordinating mechanism, the *NGV*'s hierarchical control appears to influence the interdependent relationship structure of the cluster. This has repercussions for the institutional norms and behaviour of the collective as it reinforces the notion that SME's are dependent and complementary to the key player.

By performing within the focal firm configuration, connectivity within the fine art domain is perceived to be stifled. This can inhibit BOUNDARY SPANNING opportunities which can subsequently diminish the cluster's knowledge creation capability. The opportunity to enhance competitiveness and formalise linkages may also be quashed as many of the benefits of belonging to a cluster flow from the ability to 'foster open communication and build trust' (Porter, 1998a, p. 265). Hence the collective action and collaborative interaction of the cluster appears to be dominated by the lead firm's strategic direction and competitive orientation.

A not-for-profit start-up notes that a director's managerial style is one key factor in determining the 'personality' (PF10, 2003, p. 16) of the *NGV*; how inter-firm relationships are established; and how knowledge and resources are shared. Community-based public galleries agree and describe the focus of the re-establishment phase (PF9 2005, p.6):

> … IT (information technology) design / marketing is where the current director has pushed it [internal dynamics of *NGV*] … it is very much dependent on what the director sees as being the critical things for the institution and the way they want to push it.

Informants however are quick to argue that the *NGV*'s managerial style and competitive orientation does not reflect the nation's lead firm strategy. A public start-up, managed by a fine art veteran, compares the national industrial cluster to that of Victoria (PF1, 2005, pp. 8 & 10):

> [The *NGA* director] has that true understanding of the regions but the *NGV* does not fulfil its legislative charter [to help SMEs] … because … management [do not provide] adequate resources [for its specialist workforce that are working with SMEs], so those poor [*NGV*] conservation people [have difficulties supplying adequate support] … [*NGV* management] are so focused on the bottom line … that they have just lost all understanding of the bigger picture … size has a lot to do with it but I actually don't think that they have

> leadership there. I am not sure why that is but that is just my impression from the outside.

The *NGV*'s commercial mindset appears to limit inter-firm relationships and interactivity within the sector. This is evidenced by the lead firm's perceived inability to fulfil its legislative charter together with policy impotence. PF1 (2005, p. 18) considers the role that the cluster's coordination mechanisms play:

> … the commercial mindset has skewed the relationship with the sector because they aren't thinking it through and Arts Victoria has a lot to blame for this too because they look at their budget, they look at where the money is going, you know, they should be saying '*NGV*, part of what you do is to service this group of little ones [SMEs]' … but that is not happening so anyway ... It is all sort of a policy issue with Arts Victoria.

The lack of resource provision and knowledge circulation is consistently considered by interviewees. However, in terms of cooperation, emphasis is directed at the *Gallery's* 'rhetoric of leadership' in terms of helping smaller firms (PF1, 2005, p.9). There is nevertheless, an air of optimism for the cluster's future direction (PF1, 2005, p. 12):

> … maybe the new regime – with a new chair at the *NGV* – will be less volatile in that area [commercial orientation and direction].
>
> *Interviewer: [You use] the word 'regime'…*
>
> PF1: Yes, that is right … it is that and respect … respect for the things that cultural institutions deliver which is why they are government subsidised. … with that come obligations to education, collections and servicing the public … no one is really thinking about it in a social policy [perspective].

Combining the cluster approach with a focussed socio-cultural policy can help create an environment where social networks are developed and enhanced. This can subsequently act as a conduit for the dissemination of knowledge and the cluster's value creation process. To further the discussion of the cluster's configuration and how the *NGV* is perceived, the following narrative focuses on one particular lead firm activity – *Access*

Gallery. Tracked over three phases of transition, this account provides an overview of innovative activity and the *NGV*'s perceived role as a DRIVER and BOUNDARY SPANNING entity.

5.3.1.1 Access Gallery

The *NGV*'s *Access Gallery* began in 1991 (pre-dislocation phase) and its exhibition program ran until the closure of the *Gallery* in mid-1999 (dislocation phase). It was implemented by a *NGV* director who was keen to change the traditional visitor demographic (well-educated, female and over 50 years of age) and to introduce new audiences. The context of this market development strategy and delivery of this program was 'community'. A comparative insight into the *Access Gallery* program is offered by NGV informant PF6 (2005, p.9):

> [The pre-1999 director] ... was quite revolutionary at the time … [in] what he was able to do, also the direction that he took the organisation.
>
> *Interviewer: Different … from what had been in the previous [era]?*
>
> PF6: for sure … without at any point dumbing it down. [This] was the … critical thing that the *Access Gallery* was about – providing … opportunities but not dumbing things down. [It] often had extended text labels which are now almost a matter of course but weren't necessarily at the time, and language for the event … on the label depend[ed] on who the community was.

While a rebranded outer-metropolitan public entity (PF2, 2005, p. 25) argues that the *NGV* was 'a more stagnant organisation' in the pre-dislocation phase, it also notes that its product development strategy and BOUNDARY SPANNING efforts had regressed over time. PF2 (2005) clarifies this notion by stating that the bigger the *NGV* became the less likely it was to develop its range of products and services. The BOUNDARY SPANNING function of the *Access Gallery* was important in connecting non-traditional visitors and users to the *NGV*. As a lead firm, this was significant in developing the depth and breadth of the cluster and an opportunity for attracting a new potential home-demand sector. The *Access Gallery* project valued being 'first' in new product and market areas even if not all of these efforts proved to be profitable – or indeed measurable. Instead, the project was an area of opportunity. The *Access Gallery*'s innovative labels offered one such opportunity – for interactivity. Lead firm participant PF6 (2005) argues that they also set standards for other exhibits and other art museums.

While labelling of exhibits is a contentious issue (Donisthorpe, 2010), its function as a method of communication is significant in either enhancing or limiting a viewer's engagement with art. Rather than displaying, 'nonsensical text panels' (Donisthorpe, 2010) that offer little motivation for interaction, a curator can create an opportunity for viewers to better understand the experience. Instead, it is considered 'a worthy exercise, it's not dumbing down, it's sharing, and there's nothing wrong with sharing' (Donisthorpe, 2010, p.1). As an organic approach to growth *Access Gallery* provided potential for the organisation to become more socially embedded and anchored to its community. NGV representative, PF6 (2005, p.8) states:

> … it was always the role of the *Access Gallery* … to welcome these communities to the *NGV* … and we did. … anecdotal[ly] … it wasn't necessarily measurable but [even years later] every time these people came in [to the *NGV*] they would stop at the information desk and they'd ask to speak with [*Access Gallery* curators] … The program involved, not just the exhibition but … the Great Hall [was made] available for a 'community day' for want of a better description. It … provide[d] them with that other opportunity for promoting their particular culture or whatever it was that they wanted to say … a professional tattooing association to a fashion parade with some community groups or we had [indigenous musicians] performing when we did [an] indigenous exhibition so it was like a whole range of different ways that they [community] chose to then support [their visual art exhibition] … It was a much broader presentation of culture …and … that came with a ready-made audience because … that community … were at the *NGV* watching their people performing or presenting or doing whatever.
>
> *Interviewer: and so [NGV is] getting novices in?*
>
> PF6: That is right, people who would never have been to the *NGV* before.

> *Interviewer: And those novices would translate to being artists or just occasional visitors?*
>
> PF6: Or just feeling that the gallery is OK and that they can do stuff and people like that.

The life cycle of the *Access Gallery* was about eight years and upon re-establishment of the *NGV* the program was repackaged and re-badged. However, rather than being reinvigorated this innovative program went into stagnation. PF6 (2005, pp.6–8) reminisces:

> [Upon re-establishment] … it sort of came back as the *Response Gallery* but not ever in a way that it was originally intended … [*Access Gallery*] was quite an enlightened view as to how you could engage the community and it wasn't just through telling them what [to do] …
>
> *Interviewer: … I did go to the Response Gallery and I didn't even pick up that it was supposed to be a new age Access Gallery …*
>
> PF6: Yeah, they were very different. [*Response* was] much more tightly curated whereas *Access Gallery* was about providing opportunities, hosting exhibitions on behalf of groups in the community but in doing that providing the polish that took it into a mainstream organisation like [the *NGV*] …
>
> *Interviewer: Have you actually ever … met those communities and seen the effect …?*
>
> PF6: Oh yeah, sure and they were lasting [effects] ... [and] lasting relationships … [with people you] wouldn't normally otherwise come across, I mean people from different community groups … it was almost sort of Fringe, who had something to say about their culture … or dealing with, or living with a mental illness or it was … experimental art groups.
>
> *Interviewer: And so do you come across them doing art … or doing something else?*
>
> PF6: … certainly doing art exhibitions … and …some [artists] have gone on to do quite important things ... [a] group of Vietnamese artists [who] … had never been in an exhibition … still talk about it in really positive ways too because it was an opportunity for them to engage with their immediate community … and a lot of them were artists [in their home country] … [but] didn't have an opportunity [to work as artists in Australia] … [*Access* gave them] opportunity. I was at the National Museum of Australia … and there was a painting

> on the wall, which was from the *Access Gallery* from that exhibition and it had been … purchased … that particular artist, had received a (major) commission not long after that [*Access* exhibition] … it was a $100,000 commission.

Access Gallery curators often collaborated with local and regional community art centres and government arts projects. These mutual working relationships reinforced the importance of public programs while also extending the reach of both the *NGV* and community SMEs. The importance of these joint activities in developing artists' careers is reinforced by a lead firm participant (PF6, 2005, p.8):

> …and to see some of the artists that were [there] … in their early days … they are now quite recognised names and are being collected quite actively by collectors. I mean, who knows how much of that is [attributed to] the *Access Gallery* …

As the regional responsibility of the *NGV* is state-wide, the focus of this program was on Victorian communities in its three domains – inner-metropolitan, outer-metropolitan and rural districts. With the intention of introducing new segments and converting non-users, the exhibition program emphasised 'outsider art' (PF9, 2005, p.2). Based on education, ethic orientation or other socio-political elements the aim was to tap into the potential of the public and their values. Upon re-establishment of the *NGV* however, only the educational element of the *Access* program was maintained. This annual exhibition highlights the role of arts education through contemporary mediums. Although successful from a mainstream and educational perspective, informants express their disappointment at *NGV* management's inability to support the ideas behind *Access*. Its subsequent failure is noted by community-based SME, PF9 (2005, p.2):

> Basically, [*NGV* management] did not agree with, embrace, the notion of *Access* at all … it was always bound to fail.
>
> *Interviewer: Because it was looking at minority groups …?*
>
> PF9: Outsider art ... bringing in community art into that gallery …

Prior to dislocation, management ensured the project's success with its major sponsor (the Victorian Promotion Foundation) and the 'no option' notion that 'this is going to happen' (PF9, 2005, p. 4). But this was 'despite the institution' and its norms and practice. With the closure of the *Gallery* in mid-1999, together with new management who saw 'no reason to do this type of activity' (PF9, 2005, p.3), it was seen as a good time to change. An inner-city start-up (PF10, 2003, p16) laments:

> [*Access Gallery*] certainly didn't continue, that is gone … That was a very eccentric thing for the *NGV* to do and they don't do it anymore.

The dislocation stage enabled the *NGV* to break with its past. Subsequently, the *Access* team disbanded and moved on to other public institutions or sections of the *NGV*. So while it was seen as a major success by some curators and directors, others saw it as inconsistent with their view of the leadership role of the *NGV*. The pros and cons for connecting with the broader community were deliberated upon by PF9 (2005, p.2):

> Basically there are two camps in the art world … those who at the *NGV* believe if there is any art work that is not considered by the 'art gurus' as being first class and world class, then it has no place within the institution. Then there are other people [names curators and directors] … who believe that all types of art have got a place as long as they're put into the right context, and so that is what [the] *Access* program tried to do.
>
> *Interviewer: And that is what the curator's job is to do … to put it in context?*
>
> PF9: … to put it in context. So [*Access*] often showed [a diverse array of work] … but within the context of that community …that group … what [they] actually do … To the family members and people that were introduced to the gallery, it was first class in terms of how that actually worked. So you are either able to embrace that or you weren't. And unfortunately [management in the re-establishment phase] didn't get that at all [and instead thought], that it was poor quality work and it was a bad reflection on the institution.

During the pre-dislocation phase (phase 1), the *Gallery*'s disposition to engage with the home-demand sector – while recognising them as a potential knowledge source – reflected its capacity to work as an integrated system. This is in contrast to the traditional position undertaken in the re-establishment phase (phase 3) which saw the lead firm establish itself as an independent entity with limited interactivity (PF9, 2005). The *NGV*'s approach and direction is described by one of its representatives (PF6, 2005, p. 10):

> I think the *Access Gallery* had a really important function … it is quite a different philosophy. Now [in the re-establishment phase, the *NGV*'s strategic direction] is much more a museum type approach where … relationships with other art type organisations extend to the university model. It is more academic now than it has been [in the past].

Strong community networks can be a central element within locally-embedded production systems (Nachum et al., 1999). Hence, a lead firm's ability to collaborate with its community can play an important role in the cluster's cultural and absorptive capacity and its potential to be integrated and socially embedded. Further, recognition of localised cluster conditions and characteristics can be indicative of the complexity of internal and external linkages. The strength of these links is an example of hybrid vigour – a concept of vibrancy that can arise from BOUNDARY SPANNING activity – that can increase the prospect of a new dynamism within the network. However, this was lost when interactivity was severed and the philosophy of *Access Gallery* dismantled in phase three.

The factors that trigger the transition from a mature cluster to a rejuvenated and revitalised grouping of firms can be either internal or external. Internal forces are those that arise from within the cluster community while external forces, such as the government's intervention strategy are other possible triggers. The more successful clusters are built on a combination of superior internal dynamics and attraction of resources from the outside (Sölvell, 2009). Internal forces imply that the cluster takes a pro-active approach to relationship dynamics. However, respondents note that the norms and practices within the lead firm are strongly entrenched in the notion of being an elite entity that drives the sector and sets industry standards. This paternalistic view seems to undervalue the relationship with the local community and the subsequent role played in mobilising tangible and intangible assets. So while a public sector player described the *Gallery* as a 'stagnant organisation' (PF2, 2005, p.25) in the pre-dislocation phase, the *Access Gallery* project was still able to be integrated into the *NGV* program. PF9 (2005, p. 4), a public SME reflected on the inherent culture of the lead firm and its eventual acceptance of the *Access* program:

> *Interviewer: … is the culture of the institution that engrained …?*
>
> PF9: Absolutely … it took two to three years, but eventually … [*NGV* employees] … were then saying, 'actually this is great because [*Access Gallery* is] servicing all those people that I don't return phone calls to and who I don't want to know about and I don't go to their community and open their [exhibitions] … [*Access Gallery* is] doing something for them and shutting them up…'
>
> *Interviewer: So did they really see it as … shutting them up?*
>
> PF9: Oh, from the [*NGV*] perspective they still didn't want to have to deal with it.
>
> *Interviewer: So they were tolerating rather than accepting?*
>
> PF9: In the end think it was acceptance. In the beginning it went from out and out, you know, aggressive behaviour, to tolerance, to really accepting that this is in fact a part of what we can and should do.

Despite the *NGV*'s slow acceptance in integrating the interplay between its community and exhibition program, respondents remark on the transition that the lead firm's managers and curators had to move through before accepting the project. This resistance to change reflects the entrenched internal culture of the lead firm. It also highlights the significance of management in redirecting a firm's strategic orientation and, through mutual cooperative relationships, the ability to develop interdependence between stakeholders. Hence, prior to dislocation, the *NGV* was able to work cooperatively with positive outcomes to its community and its BOUNDARY

SPANNING efforts. This mutually cooperative relationship and organic approach saw joint activities between the *NGV*, its government sponsors and its local community.

Upon re-establishment of the *NGV*, interviewees note the transition from this organic approach. The lead firm disbanded the *Access Gallery* and set up its alternative program, *Response Gallery* which involved a curator's response to a community event. However, this program only ran for a couple of years before the idea was shelved. A community-based SME perceived the lead firm as 'driving' its own standards through its top-down approach (PF9, 2005, p. 5):

> [*Response Gallery* was] … coming from the curator's perspective … rather than from the people saying: 'actually what we'd like to do is have a chook raffle, get everybody down for the night in the great hall' … you see, this is what [*Access Gallery*] used to do … bring in [a community] band from [a region] … and the high school … do a fashion parade … make a community event in the gallery … you've got the whole community and not the other way around. So, [*NGV* management] never got how that could work because there are people who just fear it because it is not 'quality' [makes hand signal of quote marks] ... [The *NGV* thinks] … 'We [the *NGV*] are the custodians, we know best, we know what is good art and good artistic event activity and we will tell you and you can come in and participate'. Anyway, and that's what [*Access Gallery*] was doing in the completely opposite way.

So while change had its physical manifestations in terms of new buildings and infrastructure, the challenge appears to be in two forms. First, the inherent and systemic character of the *NGV* that prefers to work in isolation of the broader community network. Second, innovative policies that recognise access and sharing of resources is not practiced. Thus, the *NGV*'s leadership role and vision do not appear to be in line with the State Government's policy framework which envisions interconnectivity and complementarity between culture, economic endeavour and its social environment. The dynamics of the re-established lead firm is reflected upon by SME start-up PF1 (2005, p.8):

> the *NGV* has got swamped by a misunderstanding of how you gain support from an audience. I think popularism has clouded their vision and I actually just don't think that they know who they are any more ... Anyone who has to resort to bushfire exhibitions [staged at the *Response Gallery* in the re-establishment phase] I just think, you know, where are we going? And footballers? If they really think that is how you get people not interested in art to look at art, I don't know what they have been reading?

While PF1 (2005) does not agree with the *NGV*'s attempt to convert non-users, PF7 (2003) – a lead firm informant – argues that such approaches demonstrate the *Gallery*'s ability to BOUNDARY SPAN and forge ahead with innovative ideas. This approach to integration is particularly relevant due to the re-entry of the *NGVA* at the new entertainment venue of Federation Square in 2003 (the year that the interview was undertaken). The position of the lead firm and its ability to innovate and adapt in the future was projected by NGV respondent PF7 (2003, p. 3):

> … [*NGV*] certainly would be innovative … forging ahead in new areas and [to] … adapt to other things, as well. It is a big beast.
>
> *Interviewer: Forging ahead in new areas? What sort of areas do you think that would be?*
>
> PF7: Marketing and integration with community, display of work, interesting innovations like using … or having ambassadors to the gallery, using them to do guided tours. Things like that, probably haven't been done … or they haven't been done in other Australian institutions.
>
> *Interviewer: Ambassadors? Are they experts in the field?*
>
> PF7: No, no, film stars, sports stars and … glamour people.

The *NGV*'s interpretation of integration with the community is argued to reinforce the lead firm's focal position. However, PF9 (2005, p.6) – an outer-metropolitan SME that recently re-positioned itself within its own community – deliberates on the *NGV*'s image-making, branding and the issue of access:

> From observation, getting obsessed with that front of house / IT (information technology) kind of thing … IT … certainly has

> become a major force in marketing but I am still concerned about the actual level of access in all those different forms. But I think they [*NGV*] have still lost touch …

Interviewees are consistent in their understanding of change within the visual art domain and suggest the life cycle of the lead player appears to be one that revolves rather than evolves. PF9 (2005) believes that the *NGV*'s focus on its established target market is returning to the traditional mindset of the *Gallery*. This is in preference to identifying itself as an entity that is deeply embedded in its community and with government and multilateral organisations. The entrenched culture of the lead firm is reflected upon by community-based SME, PF9 (2005, p. 7):

> They are chasing and they're catering for the well-heeled, for the people who have money because they have to and that is [the] emphasis. But, you know, that is the same as before [the late 1980s] I mean, your average visitor and supporter of the gallery [was aged] 50+, tertiary educated, female and well-heeled. You know it is really going back in that direction again because of the necessity for those funds.

Thus, laws of efficiency and self-interest, with limited inter-firm and community relationships appear to take precedence over DRIVING innovation, interactivity and the NGV's BOUNDARY SPANNING initiatives.

5.3.2 Relationship to the Focal Firm

The previous section's focus on the lead firm's perceived activities offers a springboard for discussion. Specifically, it examines the cooperative relationships between the *NGV* and SMEs and the cluster's internal dynamics. This is important for two reasons: first, to appreciate the role, activities and behaviour of members in terms of COOPERATION; second to be aware of how inter-firm relationships are organised. Responses are valuable in determining whether relationships with the focal firm are cooperative and if so, if they are mutual, mutually exclusive or non-existent. Table 5.5

details the identification theme and analysis constructs under investigation in this section.

Table 5.5 Category identification theme and research descriptor

Category Identification Theme	Analysis Constructs	Research Framework Dimensions	Research Descriptor
Relationship to the focal firm	NGV's Cooperation SME's Cooperation Mutual Cooperation	SMEs	Cluster Configuration

The significance of the cluster's configuration is pursued with a specific focus on COOPERATION. Despite being described as 'a very collegial arts culture … a cooperative culture' (PF2, 2005, p.13) by an outer-metropolitan SME, it is important to establish whether the level of COOPERATION is mutual and therefore multi-directional or, if it is limited to interactions that are only flowing one way.

When referring to relationships within the fine art industrial and regional clusters, the issue of 'family' (PF1, 2005, p.16) is considered. While one outer-metropolitan public SME describes itself as 'the sister of the *NGV* or perhaps the little niece or nephew institution' (PF2, 2005, p.11), others argue that such comparisons with the lead firm are not justified (PF3, 2005). The fine art system's configuration is reflected upon by an inner-city university gallery (PF3, 2005, p.7):

> … there is a smooth and tightly related gradient for most of the art museums in Victoria and then you just take this quantum leap to the *NGV*. So why measure yourself against them or compete with it or try and be their kid brother?

Using the research framework dimension identified in the qualitative analysis, these opposing views of relationship ties – from the perspective of SMEs – provide an opportunity to pursue the notion of COOPERATION within the cluster's configuration.

5.3.2.1 SME Perspectives

Interviewees were asked about their attitudes and relationships to the *NGV*. Informants come from a range of SMEs including new start-ups, a re-branded enterprise as well as established firms within both public and private domains. The state's trade association and government policy-making entity have also been included to reiterate SME perceptions from an industry development perspective. When asked about relationships with the focal firm, informants are consistent in establishing that *NGV* interaction is limited. Four SMEs – including three new players – offer insights into the fine art cluster's internal dynamics and the lead firm's restricted capacity to cooperate. The first co-located start-up reflects on relations during the dislocation phase (2003). The other firms, located in all three geographic districts (inner and outer-metropolitan Melbourne and regional Victoria), inform the study from the re-establishment phase (2005).

The first SME start-up, directed by a well-established professional, has extensive links within and outside the region's fine art sector. Its inner-city location, vision and innovative operational and marketing concepts ensures it is well-positioned as a key boundary spanning entity in both corporate and social domains. However, despite its ability to integrate these networks, its relationship with the *NGV* is described as 'disappointing' (PF10, 2003, p. 2). Interviewed in the dislocation phase, PF10 deliberates on the passive relationship between the SME and the lead firm. Despite much prodding from the interviewer, the response is not positive (PF10, 2003, p. 2):

> Oh, yes I see people from the *NGV* at occasional, occasionally at openings here, but not … beyond that, no I haven't. I haven't seen them. Really no interaction at all and I think it's disappointing.

The second start-up, located in regional Victoria, describes itself as being 'at the forefront of what is happening' (PF12, 2005, p.10). This private art enterprise follows the boutique museum model (Doroshenko, 2009). Hence, rather than exhibiting large scale or encyclopaedic collections, like the *NGV* (2008a), this SME's focus is personalised and confined to a particular period of Australian art. In this type of gallery, exhibits can consist of either a group of artists or an individual. A prominent Australian curator (Donisthorpe, 2010, p. 1) explains that in such a viewing experience:

> … you have one outstanding artist and you have the breadth of body of his work and it's housed in an appropriate museum that fits with his cultural works, and it's just delightful to submerge yourself into that type of environment …

The concept of private collectors (Marshall, 2010; Donisthorpe, 2010) developing autonomous, self-funded art museums is noted as playing a significant part in Australia's future fine art landscape. Yet, despite being independent of Government funding and lead firm initiatives, enterprises of this nature do not act in isolation. Instead, formal and informal links with the lead firm, government and SMEs are important sources of knowledge and offer significant opportunity for resource exchange. As an independent entity, this type of enterprise is perceived to offer a new growth path and level of dynamism. Hence, the point of difference between these small firm initiatives – including its architectural design and curatorship of collections – has implications in the function of the SME within the cluster. Its role and positioning is described by the boutique museum representative PF12 (2005, p. 15):

> … in terms of its physical role [this new start-up is]… really well-positioned because this is the only area where there isn't a regional gallery … if you think of a ring of regional galleries that is drawn around Melbourne. But because of its majority of funding coming from private individuals it has also a unique position … it is a bit different. [Management is] trying to run this place differently...

Perceived by some as a collection that tells a story (PF12, 2005) or acts as a time-capsule (Flynn, 2008), this SME's charter is to display Australian art from a specific period but without the constraints of the public institution. The private art museum model is compared by PF12 (2005, pp. 2 & 5):

> [The owners] … provide continuity and through their collecting … energy and … focus it means that [the SME is] … building this

> amazing … collection of work ... Which is totally different to that … developed in the public institution. … public institution works of art are bought now for scholarship and for education and about actually charting the history of the development of art or the history of art. [Instead this SME's] … collection tells the story [of a specific Australian era] because they [the collectors] have been there, they have lived through it and so they have acquired. But it is not, it doesn't have that imperative [of the public entity].

As a not-for-profit entity limited by guarantee, this SME is set up under the Australian Government's philanthropic policy which was delivered in 1999 (pre-dislocation phase). Hence, this study offers an opportunity to reflect on the influence of policy in driving change and its subsequent effect on the cluster's internal dynamics. One key aspect is the issue of philanthropy and the redistribution of a potential public supply network back into the private network system. In this instance, government intervention has influenced the nature of relationships and distribution of power among firms. Hence, over time, issues of change have been shown to be both policy-driven and market-driven. Marshall's (2010, p.6) discussion emphasises the changed landscape:

> Australian private collectors wishing to use their collections as the basis for public-philanthropic initiatives in the past have tended to do so by donating works to state and regional galleries. In recent years, however, there has been a renewed interest in the idea of collectors working on their own initiative to develop independently operating privately funded art museums.

The third SME start-up describes itself as an 'innovator' (PF1, 2005, p. 7), a position that had been earned through its product development strategies and community integration. Located in outer-metropolitan Melbourne, its confident approach is notable:

> …we are seen as an innovator … I don't think there is any doubt about that, and what we have done. If you think it is an easy task to create a profile … in the middle of … [an outer-region], it is not, and that is what we have done basically. So I think we are one of the innovators in the sector.

Due to the SME director's previous experience within the public fine art domain and subsequent strong leadership, this new enterprise is well-positioned. A long standing career within the industry provides a comparative viewpoint of the re-establishment phase PF1 (2005, p.24) that contrasts an earlier time-frame (pre-dislocation phase):

> … any sort of relationship with *NGV* is difficult because I think it is unclear the rules by which you are playing … I keep going back [to *NGV* to get resources and information] so I am not going to be put off, but I think for less experienced people in the sector … it is very unfair, very unfair for those people.
>
> *Interviewer: Thinking about the* NGV*'s relationships pre-1999?*
>
> PF1: Well … it was clearer … whether it was better depends on what it was doing, I suppose, but I think the parameters were clearer.

The *NGV* is perceived to work by its own rules, where COOPERATION with SMEs is limited. This in turn establishes a culture that is not conducive to the health of the cluster, as the key player appears to block the flow of knowledge and resources into the sector. So while Government intervention has worked toward rejuvenation – its policy (that positions the *NGV* as a key agency) appears to diminish development. The *NGV*'s lack of COOPERATION is specifically evident for less experienced players. This is especially worrying, as successful clusters are built on a combination of superior internal dynamics – including intensive new-firm formation. Thus, the Government's operational and strategic positioning of the *NGV* appears to work against the growth potential and prosperity of the cluster.

Holding rank against a key player that impedes knowledge flow is critical to a SMEs survival within this competitive environment. Moreover, how a firm positions itself within its own community provides strategic direction and opportunities for COOPERATION between other SMEs and sectors. PF1 and PF9, two outer-metropolitan community-based SMEs, situate strategies around its locale and a core product of contemporary art. The unique selling proposition of these entities ensures a renewed relationship with the lead firm. A public gallery veteran deliberates (PF9, 2005, p. 14):

> … I rely on the *NGV* for loans, support for loans, and as all the other public galleries in the state do. … the charter of the *NGV* [is] to support the network with loans of artwork … that is part of the relationship …

While the *NGV*'s COOPERATION is important in supporting SME exhibition programs, it is also made clear that this is the lead firm's designated role. This suggests that the *NGV*'s level of COOPERATION may not be entirely voluntary as a structurally interdependent relationship may suggest. A Government policy-making entity clarifies this predicament by stating that the NGV are 'very good at saying "give us enough money so that we can stay free" (PF11, 2005, p.17).

The *NGV*'s lack of synergy between sectors and firms portrays a focal cluster configuration (Jacobs & De Man, 1996). Its inability to integrate and cooperate with cluster members also suggests a self-focused hub and spoke network (Arikan, 2009; Perry, 2005; Gray et al., 1996). However, this hub firm mentality appears to be isolated to the fine art cluster as other cultural sector lead firms are perceived to be more cooperative. PF11 (2005, p. 13) elaborates on the *NGV*'s disposition and compares it to other 'agencies' within the State's cultural domain:

> … and so we often have … to drag them [the *NGV*] kicking and screaming to where you need them to be and I just find it extraordinary, given that they get huge amounts of money. Whereas the others, the other agencies, I mean there are one or two other spots of trickiness but the others are generally, their first answer to any question will be 'we will see how we can [do] this for you? Or 'we will see how we can cooperate on this'… we do honestly find them [*NGV*] very difficult to deal with.

While the *NGV*'s cooperative relationship is important in supporting the exhibition program of SMEs, it is the MUTUAL COOPERATION between local and interstate firms that sustain the quality and variety of its yearly exhibition calendar. Hence, the future of a productive SME is dependent on its extended networks rather than its reliance on the lead firm. PF9 (2005, pp. 14–16) confirms how vital its national links, accreditation and level of expertise are in sustaining its healthy exhibition program:

> … we've put … [this current exhibition] together ourselves and we've got the loans from, I think, ten different institutions … So we've done [borrowed and curated] everything. [In addition] … we tour a lot of our shows … and we take a lot of touring shows as well, so we keep in contact with all … You know nobody said no [to request for loans] because we are known as a first class facility. All environmental security systems are in place, so there is a[n] … indemnity classification and we've got a gold rating …
>
> *Interviewer: Have … other public galleries got this gold rating …?*
>
> PF9: … most of the bigger ones … would all have a gold rating I would imagine.
>
> *Interviewer: Who does that?*
>
> PF9: It is done by the State Government …They do a review every twelve months, but a lot of the smaller galleries …they don't have gold ratings and that creates all sorts of problems.

The Government's role in overseeing the accreditation program is a key element in maintaining cooperative links between similar public entities. It also adds another tier that distinguishes some SMEs from others within the collective. This differentiation between public firms is necessary for the successful cooperative efforts and exchange agreements between players. Clear parameters for the exchange of artworks, their care and the subsequent level of professionalism are also established.

Accreditation of public sector entities also provides a point of reference for the Victorian fine art trade association. While the organisation's level of autonomy may be a contentious issue (PF9, 2005; PF1 2005) the MUTUAL COOPERATION evident between the public gallery association (*PGAV*) and the lead firm is openly confirmed. A representative of the gallery association confides (PF4, 2003, p.4):

> … the *NGV* houses us and … we try to have a board member who is a *NGV* director or deputy director …so, their profile as far as the [trade association] is concerned is always there … even if we don't have concrete outcomes from that sometimes, the physical aspect of their [*NGV*'s] support is obvious to all and we acknowledge them on our website and anything else that we produce …
>
> *Interviewer: to acknowledge their presence?*
>
> PF4: Yes … and to acknowledge their leadership role which is, I think, part of their charter. So that is … the way the [trade association] sees it as fitting into the *NGV*'s … strategic goals.

Perceptions of the NGV's COOPERATION being imposed on it by its charter rather than its own cultural practice, is consistently articulated by SMEs. However, a key concern is the trade association's recognition of its strategic 'fit' into the NGV's strategic goals. Thus, the forum that commonly contributes to its arts policy may be inhibited as its key industry development agency is not a self-sufficient entity. This in turn can impede innovative activity within the cluster network. Hence, while COOPERATION may be viewed as MUTUAL, inter-firm relationships could be described as flowing in one direction to accommodate the operational and strategic positioning of the lead firm.

5.3.2.2 Summary – Perceptions, Relationships and Cluster Configuration

The fine art cluster's configuration has been identified as two themes. These tangible assets are described in terms of the perception of the *NGV* activities and SME relationships to the focal firm. The *NGV*'s innovative *Access Gallery* provides a narrative of the lead firm's BOUNDARY SPANNING activities and offers insight into its influence as a DRIVER of innovation and change over the three transition phases. The second dimension analyses issues of COOPERATION to establish if relationships are mutual, independent or only flowing one-way. Summing up this section's discussion the following conclusions are made. First, the Victorian fine art system comprises a range of complex relationships. The role, activities and behaviour of cluster members, in terms of COOPERATION, appears to be mutually exclusive with the lead firm's operational and strategic positioning dictating a dominant position within the network. SMEs, on the other hand, are perceived to have a MUTUAL COOPERATIVE relationship. This is underpinned by the strength of informal links, long standing personal relationships between actors and a deep structural interdependence between players. This internal dynamic ensures positive knowledge flows, information sharing and outcomes that are beneficial to regional competitiveness and the cluster's overall health.

Second, in contrast to the lead firm's perceived 'silo' structure (Ffowcs-Williams, 2010; DCITA, 2004; Ninan, 2004), SMEs work from an embedded depiction (Dowd, 2006) with both formal and flexible social connections. These relationships have been strengthened over time through exchange agreements (such as loans of art work), expertise and knowledge sharing. This reinforces the values and identity of SMEs and contributes to the overall health of the cluster.

Third, the vision and organisational roles of managers appear to emphasise and advance different aspects of the lead firm's identity. As this focus has repercussions for both the community and SME collective, the current and retrospective role of the *NGV*'s management is scrutinised and discussed. It was found that artistic merit and financial viability is synonymous with the lead firm's vision over the three phases, however management has a stronger marketing focus in the final phase. Upon re-establishment, the *NGV* firmly quantifies much of its success on visitation numbers and marketing communication efforts. Moreover, informants perceive that BOUNDARY SPANNING efforts and COOPERATION weakened over the three phases of transition reinforcing the lead firm's defence strategy and dominant position. Respondents also appear remiss in establishing the *NGV* as a DRIVER of an engaged, collaborative fine art sector. Hence, over time, the lead firm shifts its focus from the innovator (that sought to develop home-demand conditions and collaboration) to a more traditional model of accountability (that emphasises visitation and its art collection). This final re-establishment phase witnesses the fine arts merge with its neighbouring recreation and leisure domains.

Fourth, the operational and strategic positioning of the *NGV* is shown to shift over time moving from its embedded depiction (phase one) toward a lead firm strategy that shows little evidence of spontaneous COOPERATION (phase three). A notable outcome from this study is that upon re-establishment of the *NGV*, economies of scale and the asymmetric nature of competition dominates the cluster's growth path. This contrasts with the pre-dislocation stage (phase one), where the management style of the *NGV* emphasises patterns of cooperation and competition.

Fifth, this investigation notes the similarities between the national fine art industry's key player's (*NGA*) current vision and management style, and that of the *NGV* witnessed in the pre-dislocation phase (phase one). Informants are consistent in citing how both art museums (present-day *NGA* and *NGV* in pre-dislocation stage) worked within a co-opetition paradigm and where interdependent COOPERATIVE relationships shared information and resources. While this interactivity plays a significant role it also acts as a limiting factor for prosperity in the current Victorian cluster.

Sixth, COOPERATION between the state's trade association and the *Gallery* suggests a 'top-down' hierarchic structure. This reinforces the cluster's established co-ordination mechanisms and subsequent leadership role of the *NGV*. Inter-firm relationships are described as flowing in one direction to accommodate the operational and strategic positioning of the focal firm.

Due to the *NGV*'s leadership role, size and level of influence, the fine art configuration is largely determined by how firms are positioned by government. Informants consistently describe a focal cluster with a hub and spoke (Arikan, 2009; Perry, 2005; Gray et al., 1996) structure. This is illustrated by a strong image of a network controlled by a large, powerful firm, which guides the discussion for the next section's analysis of the cluster's collaborative links and regional responsibility.

5.3.3 Collaborative Links

The regional responsibility and level of INPUT from support organisations such as Government bodies and supplier networks is important in determining the extent of the collaborative links of the fine art system. While policy and investment is shown to play a key role in the geographic reach of the fine arts and in rejuvenating the sector, the introduction of other Government incentives also helps to bolster growth and to sustain the industry in the long term.

In an effort to understand the fine art cluster's geographic reach and connectivity, recognition of the relations between cluster members is important. Hence, the second tangible asset identified in the research framework is the cluster's regional responsibility and subsequent collaborative links between players. This section therefore studies network relations from a regional and industrial cluster perspective. Analysis constructs are then used to explore associations between firms and to identify how, and to what extent, the key player affects collaborative efforts. Table 5.6 details the research themes and descriptor under investigation.

Table 5.6 Category identification theme and research descriptor

Category Identification Theme	Analysis Constructs	Research Framework Dimensions	Research Descriptor
Collaborative Links	Melbourne Regional Interstate Input	National Regional	Regional Responsibility

The following discussion focuses on a State Government initiative – the *Victorian Foundation for Living Australian Artists (VFLAA)* scheme which was initiated to ensure a sustainable fine art system within the region. Introduced during the *NGV*'s dislocation phase, the *VFLAA's* pivotal role is to promote collaboration between supply and demand networks. By reinforcing the Victorian regional connections there is greater potential for more robust regional and industrial clusters. This in turn can benefit Australia's future cultural presence within the global system. Using the *VFLAA* as a focal-point for discussion, informants provide insight into the issue of collaboration and the links between REGIONS, INTERSTATE and the state capital, MELBOURNE. Hence, the following narrative provides an understanding of the contemporary climate of the Victorian regional fine art cluster.

5.3.3.1 Victorian Fund for Living Australian Artists

In response to the ‘Myer report’ (DCITA, 2002), and its inquiry into the contemporary visual art sector, the *VFLAA* was introduced in November 2002 by the Victorian State Government. This initiative was established to support the careers of artists while helping to boost the contemporary collections in the State’s public galleries. Working in partnership with the lead firm, the foundation acquires contemporary and portable artworks from living Australian artists.

As the State Government’s vertically integrated relationship system situated the *Gallery* as its key agency within the fine art sector, this collection was offered to the *NGV*. The key entity thus provided an influential link to the broader cluster network. This notion reinforced the *NGV*’s leadership function within the regional cluster and its dominant role in coordinating inter-firm knowledge exchange. This was intended to project the *NGV* into a collaborative relationship among SMEs and thus enhance the system’s dynamism. As a perpetual fund, an ongoing grant of $AUS5 million was presented to the *Gallery* with the agreement that this amount would be matched by the *NGV*. These extra funds would be raised through private sponsorship.

The *VFLAA* enables the *NGV* to purchase, display and lend significant contemporary works to other public art organisations in Victoria (NGV, 2009). Hence, as part of the *Gallery*’s regional responsibility, these State-owned exhibits are regularly toured around regional and metropolitan galleries and communities. This understanding works within the State Government policy framework (Arts Victoria, 2003a) and its commitment to access, participation and for a dynamic arts sector. The *NGV*’s (2009, p.14) goals and vision are aligned with this policy, while its strategic plan addresses the challenges of 'building audiences in under-represented groups'.

A joint working committee advises on the fund's purchasing decisions. Its six members consist of two regional galleries, a co-located university art museum and a total of three representatives from the *NGV* and its Council of Trustees. This committee also helps implement arts policy from a regional projects perspective. Hence, Government initiatives such as *VFLAA* can play an influential networking role and provide vital market-driven intelligence through its knowledge sharing efforts. Thus, contemporary artworks acquired by the *VFLAA* not only extend the representation of Australian artists in the State Collection but also 'support the exhibition programs of Victoria's regional and metropolitan gallery network' (NGV, 2008c, p. 21). An inner-city university gallery explains (PF3, 2005, p. 8):

> State government arts policy at the moment [in re-establishment phase] distinguishes between metropolitan, outer-metropolitan and regional galleries. And … for political reasons, the vast majority of their support programs is 'outer-metropolitan' and 'regional Victoria'. So … an outer-metropolitan gallery … would have … literally have access to … State Government funding programs that [an inner-metropolitan gallery] don't have access to.

Foundations, such as *VFLAA* and its collaborative links with regional, outer-metropolitan and inner-city firms, help to project a level of interactivity between cluster members and funding sources. However, when asked if financial resources or level of support for SMEs had changed, PF3's response was considered in terms of the lead firm's dominance (2005, p.8):

> *Interviewer: … funding … in-kind or other … has [that] changed..?*
>
> PF3: … I think there is … something like the Foundation for Living Australian Artists (*VFLAA*) is a perfect example. The state government's response to the Myer report was to invest $5m in a perpetual fund to support living artists but they don't appear to trust

> regional galleries or to spend that money themselves. Basically the *NGV* is spending that money …
>
> *Interviewer: Was that questioned … or was it a given that [NGV] got it after the Myer report?*
>
> PF3: … I certainly questioned it because the issue is, if you look at it in simple terms, the Foundation for Living Artists is effectively an acquisition fund for the *NGV* and the argument is that they will buy Australian artists in depth and then lend that work to regional galleries. But <u>that is what they were already doing</u>! [Strongly emphasised]

The government's role in implementing its arts policy and reaffirming the *NGV*'s status as the key co-ordination mechanism is seen to reinforce an asymmetrically competitive market perspective. The risk is that the key player's operational and strategic position will be to the detriment of other cluster members. While PF3 (2005, p.9) appreciates that the injection of extra funds is beneficial to the overall health of the cluster, questions are raised about the limitations placed on SMEs:

> Well [*VFLAA* funding] … is a lot of dough and if they invest it right it would mean spending $300,000 on contemporary art and that is a lot of art, so that is fantastic. But … it is an instance of the tendency of the State Government having invested heavily in the *NGV* – and rightly regarding it as the peak body – to follow through that investment, with other investment, other tasks, that basically builds strata upon strata until you've got this massive edifice … you know, you've got this enormous spike on your graph, and the ability of other galleries to acquire or develop their collections is not enhanced at all. Right? So you simply … and this is utterly about institutions and not people … if policy starts to invest dramatically in one big institution … risks will come with that.

This university gallery (PF3, 2005) articulates a key area where the use of policy and governance structure can be detrimental to the internal dynamics of the cluster. So while interventions are understood to reinforce the operational and strategic positioning of the key player, this in turn may place the cluster at risk. Such risks could impede the network's ability to act as a coherent and coordinated system. Hence, a leadership role that is continually reinforced – and funded – can effectively diminish innovation and dynamism within the cluster and stifle its potential.

Direct funding and indirect strategies such as the *VFLAA*, are perceived to legitimise the focal firm's leadership role, its dominant market perspective and its subsequent inability to spontaneously collaborate. A Government policy-making entity provides insight (PF11, 2005, p.13):

> *Interviewer: … you're calling them [NGV] leaders and I actually describe them as leaders*
>
> PF11: They are. They are.
>
> *Interviewer: And so what is a leader? And in this case the leader is not sharing …*
>
> PF11: … they [*NGV*] are a leader and given the [*NGV*'s] mindset … as it stands now … to [ask] 'what is our role in the delivery of benefits to the community of Victoria and how can we do this'? You know, they [*NGV*] don't naturally ask that question. And if you say to them [the Government policy agency] we want you to do some touring exhibitions as part of your core business they immediately tell you how much it is going to cost. They don't look and see how they can fit it in. I will give you a recent example. … In 2002, [Arts Victoria] … set up … the 'Victorian Foundation for Living Australian Artists' … a partnership [was entered] with the *NGV* and the government handed over $5 million through capital funds and the *NGV* was supposed to raise $5 million to put into the fund and it hasn't done it yet [in 2005]. … this issue [was raised] … and [the *NGV* were] told … that this performance isn't good enough.

As the key agenda for the *VFLAA* is to raise the level of money that is available for spending on art and to help sustain artists' careers during their lifetime, the Government's policy-making entity suggests a further option (PF11, 2005, p. 13):

> [The policy-making entity] suggested that because [*NGV*] had not raised the capital … that … they needed to compensate the fund for its lack of purchasing power and they [*NGV*] said 'but if we did that, … [*NGV* staff] who want to buy other art will have money taken away from them' – as in the work of dead artists will have money

> taken away from them. And [the government agency] said, ‘yes, that is the point. You are supposed to be supporting … this fund is supposed to be supporting living Australian artists’ … They had an agreement with government [in 2002] … they haven’t fulfilled the terms of the agreement and actually the management team didn’t take it very seriously. It was only when the [*NGV*’s Board of] Trustees got together that they realised that they had, what they called ‘a strong moral responsibility to meet the commitments that had been made’.

This Government entity raised concern that *NGV* management did not fulfil its duty or its regional responsibility in supporting the careers of artists. Instead, the *Gallery* was forced by the legislative framework to theoretically cooperate. With the $5 million grant subsequently matched by the *NGV*, the lead firm is opportunistic in reframing what is essentially control of the *VFLAA* so that it appears to be a key measure of its own success – contributing to the Government’s arts policy criteria. Its marketing message reflects a collaborative organisation that not only meets policy objectives but contributes to the well-being of its region. Hence, touring *VFLAA* exhibitions is emphasised as a major part of the *NGV*’s engagement with REGIONAL Victoria (NGV, 2009, 2008c, 2005a) and metropolitan MELBOURNE. This point is highlighted in the *NGV*’s (2009, 2008c) annual reports which highlight three significant performance INPUTS that include access, management and participation. Narratives of interviewees, however, seem to contradict the outward marketing efforts of the lead firm and its role in ‘supporting the exhibition programs of Victoria’s regional and metropolitan gallery network’ (NGV, 2008c, p. 21).

5.3.3.2 Summary – Collaborative Links and Regional Responsibility

The acquisition of contemporary art, through the *VFLAA* is an effective strategy in fulfilling the regional responsibility of both the Victorian Government and the *Gallery* (NGV, 2009 & 2008c). This is discussed in terms of developing awareness of regional supply networks, extending the reach of the *NGV*’s contemporary collection and profile while maximising artist and audience participation.

The *Gallery*'s engagement with SMEs in metropolitan MELBOURNE and REGIONAL Victoria is also found to reinforce its function as a lead firm. However, the majority of informants perceive the outward marketing efforts of the *NGV* are a contradiction to reality. Instead respondents feel that the potential of collaboration is not realised.

Upon re-establishment, the *NGV* appears more opportunistic than in earlier phases and only develops active formal collaborative relationships with SMEs to fulfil performance objectives of the State's arts policy. Moreover, Government policy and incentives such as *VFLAA* seem to strengthen the *NGV*'s dominant and defensive position. Subsequently, as the *NGV*'s leadership is reaffirmed, the level of collaboration decreases.

5.3.4 Competitive Environment

The third tangible asset – the fine art cluster's systemic character necessitates consideration of its competitive environment. A focus on the norms and practice and institutional behaviour offers an opportunity to examine the cluster in terms of COOPERATION, COMPETITION and BENCHMARKING. The challenge of this section is twofold; first, to articulate the strategic orientation of the cluster that is observed over time; second, to provide a platform that reflects the entrepreneurial challenges faced by existing players and potential entrants. Understanding if this period of change has a bearing on the innovation and system behaviour of the cluster and its adaptability is also an important consideration.

Informants' viewpoints are valuable in establishing the nature of the adaptive process to changed market conditions and whether inter-relationships work within a cooperative or competitive paradigm. The following narrative therefore plays a crucial role in the interpretation of the cluster's routines, norms and practice and the importance of similar co-located firm's BENCHMARKING efforts. Table 5.7 details the identification themes and research descriptors under investigation in this section.

Table 5.7 Category identification theme and research descriptor

Category Identification Theme	Analysis Constructs	Research Framework Dimensions	Research Descriptor
Competitive Environment	Cooperation Competition Benchmarking	Institutional Behaviour Norms and Practice	Systemic Character

This category's analysis constructs are centred on the competitive environment of the cluster and its strategic orientation in terms of members' capacity to work cooperatively (and provide information / skills and knowledge to other similar co-located firms) or competitively. The awareness of, and setting standards higher than, other co-located similar firms through BENCHMARKING is also investigated in terms of its influence and importance to success.

Interviewees were asked about their attitudes to change and innovation and the fine art sector's competitive environment. New start-ups, established businesses and the lead firm provide insights during the transition phase and upon re-entry of the *NGV*. These informants came from both the private and public sector within all three identified geographic regions.

Due to the life cycle stage of individual firms, informant responses are varied. There is however mutual agreement that government intervention has instigated change from two standpoints. First, from a functional perspective – specifically in terms of operation and technology upgrades; second, from an operational perspective – the competitive behaviour of SMEs shift toward a more business management model over time. While networks ensured continuity during dislocation, it is mutually recognised that upon re-entry of the key player, its leadership role is re-established.

The re-establishment of the lead firm has significant repercussions in terms of the rejuvenated cluster's competitive environment. Described internally as 'quite a different beast' (PF8, 2005, p. 1) from its previous phase, other public sector players portray 'a juggernaut' (PF2, 2005, p.21; PF9, 2005, p.28) that re-enters and dominates the cluster. This depiction reaffirms the notion that SMEs are complementary to the lead firm's growth path. However, this is in contrast to the SME network which is strengthened during dislocation (phase two). Hence, despite the *NGV*'s re-entry, SMEs had established themselves as an enduring collective force that had its own influence.

Lead firm strategies can range from COMPETITION oriented to COOPERATION oriented (Arikan, 2009: Dowd, 2006; Gordon & McCann, 2000). While the *NGV* is directed toward a competitive model when interacting within the fine art cluster, it perceives itself as 'more outward looking' (PF5, 2005, p.13) when working within the confines of the broader cultural network. This is significant in terms of the *Gallery*'s ability to adapt to change and provides an opportunity for BENCHMARKING against other similar organisations. This can further the prospect of the cluster by providing impetus to incorporate and develop new and innovative marketing and operational strategies and thus increase its capacity to adjust to new market conditions.

The *NGV*'s size ensures it has the flexibility to showcase large touring exhibitions as well as its permanent collection. While this suggests strong COMPETITION among players it also provides a reason for COOPERATIVE BEHAVIOUR among cluster members, sectors and industries. The issue of co-opetition and reason for sharing with rivals is reflected upon by an outer-metropolitan public SME (PF2, 2005, p.13–14):

> [In] Victoria … most people know each other … peer pressure and peer assessment of you is very important [as] professionals … there is a lot of cooperation … people [also] have to work cooperatively because they're often wanting to borrow [art]works … you generally cooperate because you know that in the future you might be needing their assistance …

Reciprocal relationships are not confined to the lead firm and other large cultural agencies. Both public and private fine art SMEs, collectors from other sectors and industries, work with protocols that dictate a synergy between players. This complementarity is seen to be strategically important and reflects a professional and ethical value system within the regional network. However, the key player's dislocation did warrant concern in terms of how SMEs might be affected. Nevertheless, firms still BENCHMARKED themselves against the *Gallery*. A co-located university gallery explains (PF3, 2005, p.7):

> In 2000 [during dislocation], there was a tendency to look at what was happening around the *NGV* and ask 'how is that going to have an effect on us?'… and internally we'd be saying things like 'we reckon we are the next best art museum in Melbourne after the *NGV*'.

This informant, however, is quick to qualify the issue of BENCHMARKING and argues that trying to set standards higher than the *NGV* is not as relevant as imagined (in 2000). This is due to the lead firm's scale and its greater capacity to attract support. However, upon re-entry of the *NGV*, university-based firm PF3 (2005, p.7) has a change of attitude toward the lead firm and its position:

> … the nature of the *NGV*'s stakeholders has changed, I think, quite significantly because with Federation Square [*NGVA*] you explicitly got City of Melbourne, Federal and State governments all involved, and whilst those are … always have been part of the stakeholder group for the *NGV*, they well and truly have fingers in the pie because of the scale and the politics of that project. … the *NGV* now, far more explicitly, gets asked to do things by the state government and I think they have actually lost a little autonomy because of the scale of investment and that is only natural. The State Government has put a lot of eggs in one basket there and productively so, but they're not going to walk away from that investment and let it run itself.
>
> *Interviewer: Which …?*
>
> PF3: Which is a pity!!!

While the issue of autonomy is considerable, it does situate the *NGV* – and the notion of interdependence between players – differently over the three transition phases. Hence, upon re-establishment of the *NGV,* the industrial organisation of the cluster and distribution of power amongst players saw change. Over time, the nature of relationships and stakeholder influence moves from the State to all three tiers of Government (local, state and national). So while the cluster maintains its locally-embedded idea generators and production systems, its competitive situation has altered. Instead, due to the scale of government investment, emphasis is on the vertically integrated system. This environment reaffirms the 'top-down' approach that was witnessed earlier (pre-dislocation) and reinforces the *NGV*'s leadership function.

The scope of a cluster's industrial organisation consists of its systemic character, governance structures and relationships among firms (Sölvell, 2009). Hence, by contrasting the make-up of individual players – their composition, roles and structural interdependence – a clearer picture of cluster dynamics can be made. To develop a broader understanding of the cluster's systemic character, the following section investigates the university art museum model and the region's trade association.

5.3.4.1 University Art Museums

A key player's leadership style can play a significant role in a cluster's ability to network and its capacity to engage with external knowledge sources. This in turn can determine the cultural and absorptive capabilities of the cluster. However, it is the level of autonomy that is critical in establishing an environment that reinforces relationships based on COOPERATION and trust. An institution's governance structure is considered by university gallery informant, PF3 (2005, p.7):

> I think [university art museums] have, yes, the autonomy that university academic divisions expect but equally you would be pretty stupid to try and play a lone hand in a campus today. I mean, you really need to be a team player, and I don't mean that just in a cynical sense I just don't think it is realistic… you are not going to

> achieve your own goals by playing a lone hand. You have got to actually get people on side and get other people working for you.

Similar to all SMEs within the cluster, the university art museum needs to work from a COOPERATIVE paradigm and as an integrated system. However, the nature of the university's business, including the number of campuses with onsite galleries, provides a point of distinction. Co-located university respondent PF3 (2005, p. 4) explains:

> … it is [a] mixed [business] … in simple terms, our job is to look after the … art … and that in itself would keep us busy but … [also] we're managing a hell of a lot more display sites or display locations than most art museums would … Now the flip side is that because we have this [inner-city] … building … we clearly have a substantial outreach function and that is the mix.

This interpretation is specific to the university art museum as its internal governance structure defines its behaviour, its role within the institution's system and the activities performed. From a home-demand perspective, the services provided are also determined by the university's operational and marketing strategies. Described as 'janus faced' (PF3, 2005, p. 4), the university gallery works with opposing agendas and supply-demand domains. The analogy of a double-faced head, each looking in opposite directions (Lindemans 2005), clearly illustrates that its dual role is both internal and external. Internal users and producers consist of staff, student and alumni while external demand and supply networks are from outside the confines of the institution. PF3 (2005, pp. 4–5) distinguishes itself from other public sector exhibition spaces:

> … we look inwardly to our local audience, our local history and our immediate asset management issues … but then we look out towards, you know, professional engagement, community engagement, recruiting, profiling, badging … We are part of the marketing of the university …So you are constantly at work, you know, on two different agendas if you like … a hard agenda which is just looking after a university asset and to a lesser extent using that asset for local purposes …. the soft agenda [by contrast] … is all of the intangibles of a good media profile, relations, leadership … you know, that sort of thing. So I think we are particularly conscious of that. At one

> level you could say that is kind of what a local government space would do, but we are bigger than that and there is more complexity to the institution.

Similar to the lead firm, university art museums have specific requirements that necessitate meeting certain Acts of Parliament. Both the *NGV* and university system must therefore perform at two levels; first, at a statutory level and second at an organisational level. This positions both players on a similar stage within the fine art cluster configuration. PF3 (2005, p.5) continues:

> … the University as a whole, not just the art museum … has the strategic goal of being involved in contemporary issues and agendas and at a statutory level the University … is required by act of parliament to contribute to the community … which puts us on a [similar] level with the *NGV*. But there is also just an out and out corporate strategic plan level to what we do because universities compete now, and promote now...

The university art museum model illustrates how individual SMEs can be directed by its own internal dynamics. This has connotations for the cluster's strategic orientation and how it may 'fit' with the lead firm's growth path. To develop a broader understanding of the cluster's systemic character, the dynamics of a regional trade association is investigated.

5.3.4.2 Trade Association

While the university model suggests a duality, the state's public gallery association follows a different script. Informants (PF9, 2005; PF4, 2003) indicate that its agenda is networking, knowledge sharing and maintaining a connection between firms that are known to each other. Embedded in the region's fine art community, its stabilising influence was influential in promoting a level of continuity through the uncertain dislocation phase. This notion of permanence is recognised as significant in the cluster's capacity to rejuvenate.

The Victorian trade association's key role is cementing network relations, which in turn ensures the free flow of information. Well informed players are then able to navigate their changed environment and the subsequent transition of human resources that can occur when firms re-position themselves. Interviewed during the dislocation phase, the regional trade association considers the 'state of flux' (PF4, 2003, p. 16) that the Victorian fine art cluster was immersed in. The subsequent ripple effect of this unsteadiness influenced the competitive environment within which it survived. The repercussion of change is provided by PF4 (2003, pp.16–17):

> … a thing to keep in mind with our industry is there is always a state of flux. Like in the last six or 12 months [during dislocation, there will be] … five new directors at the galleries [which in turn become trade association members] …
>
> *Interviewer: Which is a lot?*
>
> PF4: When you consider [the trade association has] only … 30 [members] … yes it is.

Five new members in a base group of thirty demonstrate the substantial movement of managers during the dislocation phase (2003). Moreover, as these new directors become members of the regional trade association, the dilemma shifts from a SME management level into the broader domain of the fine art network. This movement of human resources does have a positive impact however, as it provides new circuits for information flow. This is important, as the sector strongly relies on the dissemination and sharing of information and – due to the nature of the industry – the exchange of tacit knowledge. PF4 (2003, p. 17) continues:

> … as far as information (sharing) ... once they appoint the directors [the trade association needs to] … get the information out there and build up those networks again, because those people are coming into this network.

The Government's intervention policy offers an opportunity for functional change but also for restructuring internal dynamics and strategic orientation of firms. This provides impetus for a transformation in management style and re-positioning within the cluster. PF4 (2003, pp. 17–18) deliberates:

> *Interviewer: Is this state of flux relevant?… Why do you think it is happening? Is it just timing?*
>
> PF4: It is timing, although over the three years [during dislocation phase] … There have been a few directors change … actually there has been a bit of a sea change because now there is only a few of them … [names two directors] who have been there for [decades] …
>
> *Interviewer: Is it a business thing … or is it something else?*
>
> PF4: I think there is more pressure on directors to be managers … I'm talking theoretically, [but] I think … [gallery directors] came through at a time when management skills weren't that important … it was curatorial … and I think the pressure from [local government] councils is now much more of a financial one, so they have to be financial managers as well. So there is …change … and so you've got to maintain a level of artistic credibility … but also you've got to raise the money … so that has been a lot of pressure on some of the other directors …

Dislocation of the key player affects the competitive dynamics of the cluster as it acts as a stimulus that triggers a series of re-positioning decisions among the remaining cluster participants. In the face of this altered cluster landscape, participants seek to redefine their relations with other members of the cluster and with markets. However, what is interesting is that strategic management and marketing styles also change. This in turn has an effect on the human resources available to the sector, the professional services that they provide and the prospects of BENCHMARKING against each other within this new paradigm.

5.3.4.3 Institutional Behaviour

Reshaping Victoria's physical fine art and cultural landscape also orchestrates the process of organisational change within individual firms. This also has repercussions on the systematic character of the cluster and its competitive environment. An outer-metropolitan public firm (PF2, 2005, pp. 18–19) reflects:

> … if you look internationally, (fine art organisations) … have all closed down … to do a redevelopment. Basically you pull an organisation apart and then you have got to put it all back together again
>
> *Interviewer: So it is not only physically and structurally?*
>
> PF2: It is organisationally … You don't actually build … and I think with all of those big redevelopments [in Victoria] … the Museum (*MV*), the State Library (*SLV*), the *NGV* … whatever … the intention was ... never … about just building edifices. It was actually about rebuilding and reshaping those organisations right from the ground up.

Redevelopment provides 'an opportunity' (PF2, 2005, p. 19) and is seen as productive from both organisational and operational perspectives. Closure during restoration also ensures firms are able to commit resources to the dual task of rebuilding and reshaping the physical as well as the organisational structures. PF2 (2005, pp. 18–19) reflects on the state museum's relocation:

> [MV's redevelopment provided] an opportunity … I mean the Museum's collection in the bowels of that … [building] … the only way it was catalogued was because things were on shelves in a particular order … they'd never had the time or the money to properly pack and digitalise and label and code. Now money was actually [available] … because of the relocation … because you had to relocate that collection. Money that you would never get out of [the Victorian Government's] Treasury and Finance to do… [unless] you … had a redevelopment.

While the public gallery trade association deliberates on the 'state of flux' (PF4, 2003, p. 16) in the context of the intangible assets during dislocation, rebranded public player, PF2 (2005, pp. 18–19), focusses on the tangible benefits. Overlapping these two distinct arenas is the shift in organisational culture from an art curatorial focus to one that incorporates business and commerce models. Both PF2 and PF4 agree that the repercussions for management and the subsequent movement of human resources are the result of change within this competitive environment. PF2 (2005, p. 19) reiterates:

> All of the organisations … ended up with changes of directors or probably two or three changes of directors … [Despite being] … very valued but valuable [organisations, they were also]… old fashioned organisations for want of a better term, in terms of the way that they were structured and in terms of the reality of how they actually compete.

The opportunity to transform from a non-profit, subsidised entity (pre-dislocation) to a new business model that can compete on a global platform (re-establishment phase) is fully appreciated by respondents (PF1, 2005; PF2, 2005). The issues surrounding this 'older, public sector culture' (PF2, 2005, p. 19) and rethinking governance and management processes is discussed:

> … even though some of the broader public service had been shifted and changed and remade … they are traditionally conservative institutions and not to say that you want to throw all of those things out but many of them, their whole governance processes, their management processes were, you know, needed total rethinking. So … you don't just build, it is not about building a building, and putting the organisation into a new building in the same way that it was, you have to totally rethink the organisation. I think that is the opportunity that doing these sorts of projects allows you to do.

The link between firm strategy, structure and process is examined in relation to the *NGV* and its ability to adapt to its changing environment. Due to its dominant position, size and bureaucratic character, the *NGV* is considered to be resistant to change (PF2, 2005). Interviewees (PF6, 2005; PF9, 2005; PF10, 2003) consider the *NGV*'s inherent nature as one that protects and defends its position, governance structure and funding sources. PF2 (2005, p. 25) states:

> … because [the *NGV*] … are a stronger more bureaucratic organisation … a larger more bureaucratic [entity] … there is a greater resistance to process change. That is just the nature.

PF2 (2005, pp. 19–20) elaborates on the inherent nature of the lead firm and its relevance to the cluster's own systematic character. Hence the governance structure, together with COOPERATION between the key player, government and multilateral organisations become apparent:

> … I think that part of the reason that the government supported the major redevelopments of those major statutory agencies … [including] their organisational development, was that they were to take a leadership role. And a leadership role … that was actually spelt out in … government cultural policy. It may have actually been put into its legislation … And by leadership role that doesn't mean telling other people what to do. It is much more about assisting and being a model of an institution and yeah, partnering where possible. So that is actually a requirement of the *NGV* … they do have enormous power because their connections into donor bases and I guess their connections into government. I mean their Trustees are all appointed directly by the Minister, through the government … they are able to, I guess, make a strong case for increased funding … but then that is the nature of those larger institutions really.

The fine art industry's traditional production and consumption models experience major change over the period of this study. This challenges the system through which the fine art community traditionally interacts and redefines its role in terms of competitiveness. In this new environment, industry focus needs to incorporate and develop innovative growth models that enable it to competently compete in a global economy. This transformation highlights the need for structural change and a cultural shift in terms of institutional behaviour. The art domain's norms and practices, and how it has opened up to become an informed and less institutionalised group of businesses, is discussed by PF2 (2005, p.5):

> … traditionally a lot of people within arts organisations, they don't invest very much in their own infrastructure, their own operational infrastructure. You know, don't have good financial management systems or good financial management reports or don't have people who actually understand what they mean. If you actually have all of that, then in fact it allows you an enormous freedom … and people sometimes see that as, you know, 'corporate-ising' the organisation. What it does is actually give you incredible freedom because you have the information to then go on and do the interesting things.

The art community traditionally appears to be a closed system in most business arenas and by default, dependent on external sources of information. Specifically, this dependence was on government funding and expertise channelled through its departments and onto its boards. However, the fine art sector's experience of intervention provides credence to a new way of operating its business. This in turn has improved knowledge absorption and opportunity for innovative activity. As a mature cluster, sustainable growth and competing in a new business environment has proved to be possible. The visual art inquiry (Myer, 2007, p.1) offers insight into the new industrial organisation:

> … stymied by static [government] funding for almost two decades, [the visual art sector has] … in the main, risen to the challenge and is developing into a mature and sustainable sector working to strategic business plans and moving towards attaining the economic and artistic strength and achievement envisioned.

The cultural and absorptive capacity of a cluster reflects its systemic character – hence, the fine art cluster's norms and practice are seen to change over time. As institutional behaviour transforms, the cluster's boundaries became more permeable allowing external ideas to flow into and across its domain. So while the *NGV* maintains its leadership role, the nature of relationships and distribution of power among firms alters. However, informants are quick to state that despite the new business practices, the lead firm's defensive position became more apparent.

5.3.4.4 Cooperation, Competition and Change

As the *NGV* assumed a weaker role during the dislocation phase, the fine art cluster's competitive environment was simultaneously forced into a stage of transition. This in turn created new opportunities for the remainder of the cluster. Informants were united in their opinion that both operational and marketing prospects were better. From a functional perspective, individual firms were able to prospect for works of art and negotiate loans for exhibitions. Alternately, as many of the core activities of the *NGV* were disrupted, sponsorship opportunities and media space became available and accessible to other players. The lead firm's scaled down operations were not only confined to the fine arts but also opened opportunities for neighbouring cluster members.

As a small firm positioned on the periphery of the cluster's activities prior to dislocation, the lasting effect and increased potential was still evident long after the *NGV*'s re-entry. An outer-metropolitan community-based gallery reflects on the competitive environment during the key player's disruption and the opportunities that arose due to its exit (PF9, 2005, p. 23):

> … I saw… [the *NGV*'s disruption] as a great opportunity … for us to actually kick some arse because there was no other game in town … I mean we were rock bottom … there were only 12,000 visitors a year [in 1999]. Now [in 2005, there is] … 55,000 visitors. At the time [dislocation stage] it was such a great opportunity … it was the time to really shine in terms of media coverage because there were no other arts stories in town and so we just got incredible editorial and the fact remains that we have maintained that editorial coverage [after re-establishment of the *NGV*] which has been great for us. I mean we often outdo the editorial coverage on the *NGV* … Which is great! So it was a great opportunity for a gallery like this to really shine during the closure.

The opportunities for increased performance and a greater media profile helped to re-position this SME as a significant public entity. No longer at the periphery of the cluster's activities, it emerged with well-developed links that could attract resources from local and interstate sources. The implication of this new position and the rivalry amongst agencies within the fine art and its neighbouring clusters is discussed (PF9, 2005, p. 22):

> … we picked up a lot of things [art works] … we still find now [in 2005] that Museums Victoria sometimes [tender] … for shows I've negotiated … and the *NGV* … I've negotiated for particular works or particular things and we've got very close to having it happen and then the *NGV* or Melbourne Museum will put their hand up and say no, we'd like to take it and of course it's gone

> *Interviewer: Melbourne Museum …are they still crossing-over to the arts…?*
>
> PF9: yeah, they did. Well they also saw the opportunity when the *NGV* was closed …they started doing that sort of cross-over and doing some art shows which was the most popular thing they've ever done and so they were smart in actually cracking into that market while the *NGV* was closed. But they kept up a few other different things [after re-establishment of the *NGV*] … we missed out on [a pre-packaged interstate exhibition] … because Melbourne Museum took it, which was really a great shame …

The dominance of the key cultural agencies illustrates the lack of synergy between the sectors or businesses. A redeveloped public entity (PF2, 2005, pp. 22–23) considers the issue of dominance and notes the impact of the *NGV*'s re-entry:

> … one of the issues to do with the *NGV*'s redevelopment is that it certainly did dominate. [Upon re-entry] … they just grab all that they can and good on them …I mean that is what you would expect them to do but it is a bit … I think there is less of it now, [in 2005] but certainly with Federation Square [*NGVA* opened at this site in 2001] and then the reopening of St Kilda Road [*NGVI* opened at this site in 2003], a lot of people thought that it was pretty much a juggernaut and that's the term that people were using. Particularly when they also got the Major Events funding for the Melbourne Winter Masterpiece [Series] ... it really did soak up a lot of donor money … from the visual arts.

Upon re-entry, the *NGV*'s ability to soak up so much support surprised the remaining SMEs. Its successive fundraising campaigns sought donor support for its building, sponsors for its reopening, while a final campaign asked for cooperation to help build the *NGV* collection – and develop an acquisition budget. Moreover, the lead firm appeared to suppress SMEs in the cluster (PF2, 2005, p. 23):

> I think probably during 2004, or from late … 2003 and 2004 there was a strong concern that they [*NGV*] really had soaked up a lot of [funding] … and we just [said] 'chooooh'… It was very hard to compete with. And everywhere that you'd go [for SME support], Gerard [the director of the *NGV*] had been before and people would

> say ‘oh no, well we have just given to the *NGV*’ … or …‘we’ve just seen Gerard’.
>
> *Interviewer: …Gerard is ‘the face’ isn’t he? … a face for the organisation.*
>
> PF2: His job was basically, I mean he had not run a gallery before, he was a fundraiser through, I mean he had a fine arts background at university – fundraising both at Oxford and at the British Museum…

This *NGV* director’s knowledge base reflects the new management style and business orientation of the cluster rather than its traditional curatorial focus. This demonstrates significant change in norms and practices and the altered competitive environment within which the cluster members exist. Informants did however consider that there is more to the *NGV*’s success in attracting support than the marketing efforts of its director. Instead strategic positioning and size are emphasised as the key. SMEs are consistent in stating that the focal nature of the cluster – and its systemic character – provide a huge push factor that favours the *NGV*. Hence, the prestige offered to the lead firm’s support network, together with its close ties with influential business circles and government (including possible access to its ministers) provides incentives for supporter endorsement. Outer-metropolitan public SMEs (PF2 and PF9) cite that exclusive opportunities include events where ‘the people had $1000 a night dinners’ (PF2, 2005, p.23). The disparity between SMEs and the entitlement that the *NGV* enjoys is reinforced by PF9 (2005, p. 15):

> … we are not in that game. You know [if there was an option of …] funding the *NGV*, or fund [this SME]? … people [sponsors] like the [large arts agencies] … and why? All those companies keep giving to them because it is a really swanky night to take out your [corporate] mates … So yeah, I don’t hold much stock in the corporate sector for sponsorship …

The systemic character and distribution of power among fine art firms experienced change over the transition phases. Opportunities arose during the dislocation phase but upon re-entry of the lead firm, COMPETITION was fierce with the *NGV* absorbing much of the visual art funding and donor resources. However, upon re-establishment of the *NGV* (phase three), the cluster's equilibrium is more considered and two parallel strategies appear. On one hand, the key player reinstates its position as the focal firm. On the other hand, the SMEs are able to balance its rejuvenated, integrated and self-sufficient collective against the aggressive competitive strategies of the lead firm.

Informants are united in their understanding of the re-positioned SME network and its capacity to function in parallel to the lead player. This new industrial organisation saw SMEs as a collective whose collaborative interaction enhance business' ability to compete and adapt to change. SME relations with other members of the cluster and with markets were also redefined. Established links and the ability to COOPERATE provided SMEs with the potential to exhibit major art exhibitions of high profile artists. PF9 (2005, p. 14) describes a major retrospective of a well-established and significant artist and takes pride in the SME's ability to enter into a process of international COMPETITION:

> … so here we are in our little small fry outpost doing a show, that, you know if we'd been able to put the money into the bells and whistles that they've put on the [equivalent exhibition at the *NGV*] … it would have been huge …but, it is funny, like we don't see ourselves … we don't compete with the *NGV* we don't consider it.

There is strong evidence suggesting there is a significant difference in cluster behaviour between the two time-frames as, following dislocation, the extent and strength of SME links increase. SMEs' cooperative efforts developed and expanded ensuring greater product differentiation and quality. Yet despite this self-sufficient SME environment, the *NGV*'s competitive nature shows a lack of integration or any effort to work as a system. Instead, the dominant player's behaviour appears to work against the overall health and prosperity of the cluster. PF1 (2005, p.9), an innovative public sector start-up reveals how the *NGV*'s superior attitude is perceived:

> … we recently had … [a regional fine art] conference [which included *NGV* and Victorian Government representatives] …

> *National Gallery of Australia* [director] … Everyone was there. *NGV* talked down to the directors there.
>
> *Interviewer: To the other [regional and metro] gallery directors?*
>
> PF1: Just as if we were straight out of university and the knowledge, experience [that was evident in that room] … it wasn't just my reaction it was a collective response, I mean so … I mean everyone just laughed, but I think it just says it.
>
> *Interviewer: So it is not even an insult …?*
>
> PF1: Well what would you expect?
>
> *Interviewer: It is interesting [as many of these directors] are actually ex-NGV people?*
>
> PF1: … it is just expected now … if … you are talking about perception, the public relations people … should be giving … advice [to the *Gallery*] 'We don't care' … We are not interested … [instead] We want to know what they are projecting for us and we want to know what sort of relationship we have.

While the Victorian fine art cluster participants may expect the *NGV* to behave as a 'silo structure' they are still aware that SMEs are dependent and complementary to the larger player. This understanding reinforces the notion of the 'focal cluster' (Jacobs & De Man, 1996) and a self-focussed key player. This relationship system dictates that SME positions are largely determined and directed by the *NGV*. However, lead firm strategies and the value system it employs, can be directed toward COMPETITION or alternatively oriented to COOPERATON. The values of two Victorian cultural agencies are compared by PF1 (2005, p.13):

> … the pressure put on the *NGV* at the moment to perform financially is stealing its direction. The Museum [by contrast] seems to know how to weather this better. [The director of Museum Victoria] … is more dogged when it comes to putting forth the principals that are the ethical basis for any cultural facility.

As key entities that are directed by public policy, the value system and behaviour of its lead firm is understood to be crucial to the dynamics of its cluster. SME perceptions of the nation's fine art industrial cluster – and its lead firm, the *NGA* – provide credence to this understanding. Noted as a being a 'mother-ship' (PF1, 2005, p.16) the national leader is considered to work from an ‘embedded depiction’ (Dowd, 2006). Requiring deep structural interdependence, the *NGA*’s role appears to be one that nurtures but also directs the industrial cluster’s growth path. The analogy of a mother-ship is reflected in the *NGA*’s vision (Radford, 2005) of a fine art collective working within a framework of co-opetition. PF1 (2005, pp. 9–10) compares the role of the *NGA* and *NGV* in terms of COOPERATION:

> [The *NGA* director] is thinking about how he can make *NGA* actually help the body of museums out there … *NGV* says that … [but] what actually happens? They’ve got the rhetoric of leadership; they’ve got the rhetoric of helping smaller galleries but when it comes to delivery … they are [self] obsessed …

The difference between the regional and industrial fine art clusters appears stark. Even though both work within the same governance structure, it is the systemic character of the network and strategic orientation of management that differentiates them. PF1 (2005, pp.15–16) reflects on the recent public gallery (*PGAV*) conference which highlights the contrasting attitudes of the *NGV* and *NGA* management:

> The art sector in Victoria, in Australia is so small, … we all bounce off each other so you don’t talk down to the little ones [as *NGV* did] because in some areas … what happens in a little gallery is the catalyst for something bigger.
>
> *Interviewer: So it is not actually risk taking, it is actually catalyst stuff*
>
> PF1: But it is also not hierarchical. Yeah, you know and I think that is what [*NGA* director] totally understands … he is not going to buy a work for the *NGA* when there is a sensational example of that in [a regional SME] … he will borrow that because he knows that it is there. So when he was talking about the collection at the *NGA* he was talking about it being part of one big family …
>
> *Interviewer: So he is being intimate with them and their collection?*
>
> PF1: … what his message to that team was, or that group of people was ‘we are a team’, even though, you know, I’ve got my team at the *NGA* we are that bigger collective team… we are all in it together, now it was just a very smart thing to do

Interviewer: And he used the word 'family'?

PF1: Well yeah … (and) a team.

While the norms and practice of the *NGV* reflects its dominant focal position within the regional fine art cluster, it is the dynamics of the broader national industrial cluster that gains positive recognition from informants. However, if the *NGA*'s vision of co-opetition and its leadership role can influence policy and standards within the Victorian cluster then there may be some indication of cluster strengthening. On the other hand, this would necessitate a change in the norms and practices of the *NGV*.

5.3.4.5 Benchmarking

Informants react positively toward the concept of BENCHMARKING against other fine cultural enterprises and businesses. In an effort to better a firm's potential, comparisons with similar firm's operational and marketing plans was particularly beneficial during the redevelopment phase as many public sector players also underwent major renovations and transformations.

Prior to dislocation, differentiating an art museum from its competitors was not considered important. Instead, as a custodian of the collection, management's focus was essentially one of curatorial stewardship and conservation. Government intervention, however, created an opportunity for the integration of business models that reinforced the notion of becoming less dependent on the public purse. This push for a sustainable growth path not only changed the competitive environment in which players worked, but also transformed the way firms competed. BENCHMARKING against similar co-located firms thus became significant in the way cluster members' functioned and positioned themselves. Moreover, the fine art sector had to find new ways to attract visitors and funds with home-demand conditions in mind. Operating within this new business model was challenging as art museums had to develop strategic plans, produce annual reports and implement marketing strategies. In an effort to establish a 'point of difference' (PF3, 2005, p. 5) within a homogenous visual arts sector, an inner-city university gallery reflects on BENCHMARKING and distinguishing oneself from the group:

> I think you do look at what other people are doing, because there is a risk that the art museum sector appears somewhat homogeneous. You know, that unless you are talking to a specialist audience who can make the subtle distinctions, there is a feeling that one art gallery is more or less like any other art gallery and visitation is just going to depend on … you know, either the sheer weight of media … of marketing money or just utterly incidental factors like 'oh it is the nearest one' … So I think you look at what other people are doing so that you can declare what you are with more …differentiation.

Focussing on product, service experience or programming can help distinguish a firm from similar businesses. However, the specialist nature of the fine arts can make differentiation difficult. PF2 (2005, p.6) reinforces this homogenous notion of the sector stating that most galleries within the cluster are 'not dissimilar to the sort of programming or business things that we do'. A key point of difference for this established outer-metropolitan SME is the image it projects through its novel setting, focus and history of innovative activity. PF2 (2005, p. 6) deliberates on the positioning dilemma:

> I think it is probably the level of focus … if you look across galleries and museums now, you know, in Australia and even internationally, the model on which they operate is actually very similar.

The homogenous nature of the fine art gallery and museum business model is noted by informants from all geographic districts and stages of development. Institutional behaviour within the public sector is specifically similar – particularly in terms of the restoration of infrastructure and its subsequent benefits in regional and destination development. Interviewed in the re-establishment phase, PF2 (2005, p.6) cites the similarities between public entities, but also notes that while the model is the same, it is the firm's mission that differentiates the individual from its rivals:

> They all have, or most of them, will have some form of collection … special exhibitions program … an education and a public programs … membership schemes … [and] a foundation to raise money for that; they will all having a building project in the pipeline … some sort of food issue, with café, ... They have a group of volunteers some of whom work out-front and some who work behind the scenes and increasingly they are becoming … more savvy with their marketing and partnerships, and industry partnerships as well as … broadening their curatorial focus into that sort of program. So the model when you actually look – it is actually the scale and the level of focus that they have. So I mean … well I guess the mission is what is different. The model on which they operate, it doesn't matter how small you go down to, most galleries will have elements of all of those things that I have talked about.

The new paradigm within which the fine art industry works, necessitates new sources of income. This warrants a greater reach in terms of audience participation and a firm's ability to work within broader business networks. Thus, fine art firms have become 'more savvy' (PF2, 2005, p.6) in market penetration and product development strategies. This strategic direction and marketing profile can ensure home-demand is expanded from its community to one with a greater reach that includes business and tourism networks.

Inspiration from similar firms or value system is also considered an important differentiating element to BENCHMARK against while co-location and scale is not. This reinforces PF2's (2005) reference to a firm's mission as a key differentiating factor. As a new start-up in the outer-metropolitan region, PF1 (2005, p. 22) considers the issue of adapting other facilities' successes, values and capitalising on other's experience.

> I look at what other people are doing, I watch out … so I look across the field, I look at big ones … little ones, who would stand out? … in terms of the actual facility that inspired me in relation to what we did here [as a new start-up,] was [names an inner-metro SME] … they … clearly knew what they were… and so in this particular instance that inspired me. In a broader instance, I suppose I have been inspired by [names an *NGV* director prior to dislocation]

> because I think he has always been true to about what art galleries are about.
>
> *Interviewer: … where do you source new ideas?*
>
> PF1: Well I read … art magazines; I go and look at as many shows as I can. I follow what is happening in the state galleries … when I like an idea I see nothing wrong with adapting it for my own purposes. … I am always open to feeding off what is happening elsewhere.

Sourcing ideas and BENCHMARKING against specific criteria is important to this start-up (PF1) and its capacity to position itself as a viable and credible cluster member. As a new player within the public domain, its transition from entry phase into consolidation proves the benefits of being aware of standards – and any gaps in knowledge. It also ensures that the SME is feasible and helps it stake out its position in terms of the market it is serving, its industry partnerships as well as its curatorial focus. The notion of 'feeding off' (PF1, 2005, p. 22) other's experience and operational design also helps to manage risk while ensuring knowledge of SME management is built upon. This reinforces the new start-ups innovative activity and adds a new dynamic to the system and its competitive environment.

The opportunity to claim a strong position due to BENCHMARKING efforts is not unique to new players. Established entities were also aware of the importance of comparing strategies and standards. This was especially relevant during the dislocation phase as many public firms within the Victorian fine art cluster were undertaking some form of refurbishment or building project. Thus, rather than setting higher standards than similar co-located firms it was important to be aware of the viability of a businesses' development during its own upgrades. SME's were able to follow the lead of other cluster members and learn from any marketing or operational issues that might be relevant. Hence, while feasibility studies were conducted prior to construction, SME's were able to observe and plan its transition while maintaining an optimum profile and market position. University gallery, PF3 (2005), reinforces the issue of absorbing knowledge and understandings. While acknowledging the difference between the lead firm and a SME, PF3's awareness of the *NGV*'s marketing and operational performance played a key role in its risk management and planning. The significance of the *Gallery*'s transition is described by this established firm (PF3, 2005, p. 3):

> The problem was, in objective terms, a strategic planner would say 'close the doors, lock it down, disappear and plan your future'. Just go away for three years, plan your future and come back, but [*NGV*] can't do that. I mean [an SME] could do it …
>
> *Interviewer: … so did you learn from that?*
>
> PF3: Oh absolutely. Because when we learnt that we had [to refurbish] …we actually went through a whole lot of scenarios. We said 'Do we really need to close or could we shut one level at a time' … we really went through every scenario … When we decided we had to close the next question was, do we look for a temporary venue? And we answered that question in about 15 minutes primarily based on the knowledge of what the *NGV* had done. So yeah, you do learn.

Recognition of the difference between the lead firm's role and focal position was central to this established SME's planning. Learning from the *NGV*'s experience of relocation, dislocation and re-entry was also critical to maintaining its position and confident transition during its own refurbishment. Two key issues learnt from the *NGV*'s redevelopment and experience include: first, close the gallery rather than temporarily assume a weaker role at a temporary site; second, maintain home-demand conditions and inter-relationships with support sector and governance structures by setting a re-entry date that can be met. This was important in maintaining credibility and a firm's position (PF3, 2005, p. 3):

> … the thing that I learnt by watching the *NGV* was that the reopening date became a bit meaningless with each announcement and … [it was] self-evident … [that] the opening date of Federation Square was politically driven so … you know, there is an artificiality to that … so [with our refurbishment] we just leap frogged over the whole damn lot and set an extremely conservative opening date …

Managing risk is an essential part of a viable business and its ability to capitalise on critical incidents such as its closure, restructure and re-entry. BENCHMARKING considers three risk management perspectives: the redefinition and positioning of firms after restructure; the subsequent product development and finally, strategic marketing issues. A recently refurbished public gallery discusses the influential role played by international lead firms as well as those in Victoria (PF2, 2005, p.23):

> I think undoubtedly the *NGV* is hugely influential as a model in Australia; internationally I think you'd have to say the Tate [a group of four art galleries in the United Kingdom] is the model by which people look to … the way they have reshaped, restructured and … present themselves. I think ACCA, [and] … from a curatorial point of view [ACCA's artistic director], as an internationally rated curator. From the sort of more marketing side … [ex-deputy director of *NGV*] … is enormously influential … in the way he shapes [the business] I mean he takes risks with what he does there.

Awareness of the operational and marketing of businesses – especially during transition – was important in maintaining perceptions and position. PF2 (2005, p. 4) discusses risk management and its importance to firm success:

> They are calculated risks and I think the issue about the whole business management ... I mean I don't take risks in terms of the … operational side of the organisation …I always put in place a really sound financial management system. You know models of … finances and structure the organisation … the secret [is] to be able to take risk … to actually have the information to make those decisions. So the groundwork, once you have got it in place it is then actually good fun because you actually know what you can do and can't deal with …

BENCHMARKING against, and awareness of, similar firms' operational and marketing efforts, over different cycles of growth, is shown to add to the innovative activity of firms within the cluster. Hence, recognition of other players' experiences of change provides insight into how it can be managed. On the other hand, awareness of the focal firm's transition provided SMEs with confidence during a process of change. This in turn provided an opportunity for competent risk management and freedom to innovate.

As a lead firm's strategy can influence a cluster's pattern of COOPERATION and COMPETITION the *NGV*'s openness to new market forces, sources of knowledge and expertise is shown to be significant in helping drive the cluster's capacity to innovate and adapt to change. However, the *NGV*'s BENCHMARKING efforts against SMEs was not seen to provide a comparative edge. Instead BENCHMARKING against similar sized firms in the broader cultural and business domains enabled the *NGV* to make the most of the opportunities offered. Hence, the broader cultural domain provided a forum for COOPERATION and knowledge sharing. This in turn was significant in the region's development and Melbourne's potential as a creative region and cultural destination. Providing a perspective of the lead firm, PF5 (2005) describes the pragmatic role of the cultural forum of key agencies. Consideration is given to the notion that these institutions all have a common value system that work toward similar goals. When asked to reflect on the competitive environment and values of the lead firms within each cultural domain PF5 (2005, pp.12–13) states:

> … we are all agencies of Arts Victoria. So that is one kind of combining kind of thing if you like. You know obviously the State Government is our boss so it is really important [that] … the different organisations can come to that table together … certainly too there is a shared philosophy that we are not competing that we are trying to grow the pie … that through each other that we can all grow.

While the *NGV*'s strategy is noted as competitive, the institution's behaviour within the confines of the cultural forum suggests one of COOPERATION. The *Gallery* is also aware of being a member of a broader cultural network where interaction between other clusters and sectors is an important source of local knowledge. The *NGV*'s ability to cooperate with similar co-located agencies is used to its advantage and reinforces its operational and strategic positioning within the broader cultural economy. This however is not the only source of information, as knowledge flow and diffusion is also acquired through business and government. This furthers the opportunity to BENCHMARK against a broader and new economic paradigm. Lead firm respondent, PF5 (2005, pp.12–13) considers the *NGV*'s external information sources:

> Well, [external sources of information come from] the City of Melbourne [local Government], Arts Victoria, some of the arts organisations, obviously sponsors and commercial partners … in terms of business. Management and operational networks… have a very strong connection to make sure that the *NGV* and its operational kind of areas are following world's best practice … that is … an important thing in the arts, [to] … make sure we know what is out there and we are doing things in the most efficient way. … I think we are externally focused rather than internally focused … my sense is that we are more outward looking. But that is probably most [cultural] organisations I would say. It is almost a corporate or an organisation cultural shift that probably goes right through … you see an opportunity [and] … with the right strategy and execution you can jump on board …

The *NGV*'s recognition of its position within the broader government and corporate environments is significant and provides an opportunity for the *Gallery* to benchmark against other similar sized cultural organisations and corporate players. As the largest firm within the sector, BENCHMARKING in the broader cultural and business domains enables the *NGV* to make the most of the opportunities on offer. As a lead firm's strategy can influence a cluster's pattern of COOPERATION and COMPETITION, the *NGV*'s extended business and knowledge sources are shown to help drive the cluster's capacity to innovate and adapt to change.

5.3.**4.6** Summary **– Competitive Environment and Systemic Character**

The fine art industry's new economic environment challenges the traditional system through which the *NGV* interacts and COMPETES. Within this new competitive environment actors' institutional behaviour is challenged. Informants consider the enormity of this transformation and discuss how the cluster's systemic character and subsequent norms and practices of individual firms change. While the issue of autonomy is reflected upon, it is noted that the fine art industry has become a more informed and less institutionalised group of businesses. So while the cluster maintains its locally-embedded idea generators and production systems, its systematic character is perceived to have changed.

The *Gallery* is observed to work on two separate levels. First, it saw fine art SMEs as competitors. This contrasts its cooperative efforts with its neighbouring clusters and corporate business domains. SMEs on the other hand worked within a co-opetition paradigm reflecting the broader industrial cluster's strategic orientation. Within this framework knowledge sharing and COOPERATION helped to manage risk and develop innovative activity.

Both the *NGV* and SME narratives emphasise the importance of BENCHMARKING. The lead firm's BENCHMARKING efforts however are directed toward key agencies within the broader cultural cluster rather than fine art SMEs. This suggests that the size of the firm is important in the *Gallery*'s BENCHMARKING efforts. Within this cultural forum the *NGV* recognises itself as part of a collective. SMEs by contrast benchmark against the *NGV* as well as firms within the fine art, culture and business domains. Using the experience of other players, SMEs are able to manage risk and hence enhance innovative efforts. These actors also maintain a strong self-awareness of belonging to the fine art cluster.

Issues of autonomy also highlight the differences between SMEs within the public sector – specifically, the university art museum segment. Hence a firm's governance structure and sources of funding are found to play a key role in relationships and a firm's perceived level of independence.

The institutional behaviour of fine art firms ensures a dynamism that combines COMPETITION and COOPERATION in the marketplace as players are able to recognise that business relationships have more than one aspect. Complementing a competitor's exhibition is one approach or, alternatively, actively competing against similar firms for resources is another. However, with this in mind, the *NGV*'s market perspective and hierarchical control reflects a lead firm strategy that shows little evidence of spontaneous collaboration. This reinforces the focal firm's central position within the hub and spoke network and its low level of COOPERATION that restricts opportunity for innovation.

5.3.5 Joint Working Relationships

This study highlights the fact that location and structure are important elements in the cluster's systemic character and relations. Hence, this section focuses on the research framework's intangible assets – networking and interdependency – highlighting two themes. First, the cluster's joint working relationships and second, issues of collaboration. Intra-cluster and extra-cluster links and the extent of associations are analysed in an effort to distinguish the depth and breadth of the collective and its ability to develop core competencies and products. This offers an opportunity to examine interactions between related and supporting entities and its relevance to the industry's potential.

The capacity of cluster members to participate in joint working relationships (i) with its SUPPORT SECTOR, (ii) BETWEEN BUSINESSES, (iii) with neighbouring SECTORS, and (iv) with STATE-WIDE institutions is significant in two respects. First, it acknowledges the role and behaviour of cluster members that are known to each other. Second, it suggests patterns of interactivity and the potential to learn from other's initiatives. Hence, the depth, extent and geographic reach of working relationships offer an indication of the industry's ability to innovate and upgrade. To gain insight into the fine art network and its interdependencies, interviewees are asked about joint working relationships. Table 5.8 details the identification themes and research descriptors.

Table 5.8 Category identification theme and research descriptors

Category Identification Theme	Analysis Constructs	Research Framework Dimensions	Research Descriptor
Joint Working Relationships	Relationships: - With support sector - Between Businesses - Between Sectors - State-Wide	Related and Supporting Entities	Networking and Interdependency

Following a new cycle of rejuvenation, this investigation moves beyond the commonalities that exist between suppliers, resources and technologies to consider the cluster's support networks and interdependencies. Hence, in this section, joint working relationships are contrasted with those within the fine arts and its neighbouring domains. By indicating the range of links with horizontally-related industries, the breadth of the cluster and the variety of products produced with closely related sectors (including education and culture) are better understood. Further, the geographic reach is appreciated in terms of RELATIONSHIPS BETWEEN BUSINESS and SECTORS.

Informants provided insight during the transition phase (2003) and upon re-entry of the *NGV* (2005) and were selected from new start-ups, established firms and re-branded entities within both the public and private sectors from all Victorian regions. While responses vary, there is recognition of the important role that networking plays in establishing a sense of continuity. This was especially relevant during the dislocation phase and the lead firm's assumed weaker role. Respondents' retrospective views also highlight the incredible pace of change in terms of dynamics, industrial operation and size of the industry. An industry veteran's recollection of earlier times emphasises that the regional and industrial cluster's network system has not always been apparent: '… there wasn't the great gallery network that now exists I can assure you' (PF12, 2005, p.1).

The limited networking capacity in the pre-dislocation phase was not due to behaviour or the value system of players – rather it was restricted by the 'quite tiny' (PF13, 2003, p.14) size of the industry. The growth within the public and commercial domain is noted by another veteran within the public system (PF13, 2003, pp. 11–14):

> … if we go back [to the 1950s-60s] there were no [commercial] galleries … [cites three galleries] ... the whole idea of people in [public] art museums … hardly existed … [for example] the staff of the *NGV*, in 1956, was six people. It is just absolutely unbelievable, the [recent] growth of the museum industry … just extraordinary.

While the sector's growth over past decades has been substantial, the close social ties and trust between individuals and organisations remain. These networks of long-established players are significant in the collective's capacity to work together, and to share information and products. Reciprocal relationships and exchange programs are a fundamental part of interactivity and based on common values and player's deep structural interdependence. This connectivity extends between regions and the public and commercial sectors. A new start-up, PF1 (2005, p.7) reflects on the internal dynamics:

> … the reality is that ... I don't think the [interstate public museum] would be lending us shows if they didn't know the person here … [or] we would have [reputable artist's] paintings from the [regional gallery] if I wasn't here … I don't think that we would have the courage to do some of the things [that] we have done without that … because it [confidence and experience] is the key.
>
> *Interviewer: … your reputation as well?*
>
> PF1: Oh yes, absolutely …They would actually know that I would look after it.

Networking opportunities and the growth of the industry is paralleled by the birth of its public trade association. PF13 (2003, p. 14) recalls the national environment in the 1970s: '… there were 50 [members] and now [in 2003] there would be … 1,000 or 2,000'. State associations such as the Victorian facility (*PGAV*) further the sense of ‘collegiality and camaraderie’ (PF9, 2005, p.18) between its members, while chat-rooms have opened communication channels without the restriction of time or distance. This medium provides further possibilities for directors of public facilities to meet and engage. PF9 (2005, pp. 18–19) affirms:

> Most of the … [firms] want an opportunity for all the directors to get together … and we have a chat-line … [for] questions [about] … what is going on in the sector, what people are thinking and what they are doing on that level, on that board …

The trade association’s role in meeting network needs of members and extending the opportunity for developing STATE WIDE RELATIONSHIPS and communication BETWEEN BUSINESSES is significant – specifically in terms of the connectivity of the cluster. Members’ ability to enjoy the notion of being part of a system that is interdependent, but also independent, also ensures the fine art entities’ ability to work toward a common goal.

Over time, SUPPORT SECTOR RELATIONSHIPS within education, government and local community have developed. This provides opportunities for joint working relationships as well as expanding home-demand conditions. Moreover, supply networks that had traditionally only belonged to the fine art industry had now extended RELATIONSHIPS BETWEEN SECTORS including the business and leisure domains. A new start-up with strong links to a co-located university and art school (PF1, 2005) notes the positive spillover effects and its benefits in broadening knowledge networks and potential links to new artists. This community-focussed strategy is reinforced by re-branded SME, PF9 (2005, p.17) who argues that its extra-cluster relationships – and position – are enhanced by its interdependent SUPPORT SECTOR network:

> Local Government … Council is our key stakeholder… And education … a huge percentage of our visitation is local schools [co-located with SME] … our education program works closely with the curriculum and they present activities … We have certainly tried to

> milk the idea that local schools don't need to go [to the *NGV*] … it is costly to take school groups into the *NGV* too because they charge now. Whereas we are still [cost]-free … to school groups.

The simultaneous dislocation of the lead firm and PF9's re-branding was timely as it created an opportunity for the SME to re-connect with its community. The subsequent joint working relationship between parties is cost effective to local schools while also fulfilling local government responsibilities. This reaffirmed the SME's new brand image and regional focus.

Extending relationship boundaries however can be difficult to navigate and is not necessarily a straight forward process. University SME, PF3, provides insight into the dilemma of developing RELATIONSHIPS BETWEEN SECTORS and SUPPORT networks. While its operational and interdependent affiliations work within the mechanisms of the tertiary sector, this art museum's networking opportunities and strategic positioning function within the fine art system. This parallel existence does not appear to take advantage of the systemic character that is unique to these firms. Hence, the role university galleries play has the potential to be lost amongst the broader network system. PF3 (2005, p. 7) explains:

> … under university policy … You've just got to be careful to indicate that a sponsor is a supporter … Our main problem is the problem that the whole art sector has … sponsors are disinclined to give cash … They want to give in-kind service. And …within university's own accounting process, you can't book in-kind support as revenue. So, we, in fact, have to constantly explain to the university that we are indeed raising more money than it looks like.

When asked about networking forums, PF3 (2005, p. 6) considers the informal nature of knowledge flow and diffusion amongst university galleries. Interestingly, the government's intervention has ignited a new internal confidence within the group:

> *Interviewer: … the PGAV … is a forum for a lot of galleries. The universities don't have that sort of forum…?*
>
> PF3: … there are two levels … university galleries are represented within the *PGAV*. [Also] there is a university / museums section of *Museums Australia* but that is across the board and it [has a] … social history … orientation. [However] … over the past six months [university art museums] have had a couple of conferences and informal meetings and there is a sense that we should work together. We've formed a loose alliance … the goals of that loose alliance are … absolutely practical. 'Can we share information so that we are not all reinventing the wheel?' and 'can we work together just to improve our profile?' because we think that we are under-recognised.

Three reasons are cited for the university art museum's increased sense of empowerment and potential to formalise its networking capacity. First, the group's strong presence within the industrial cluster approximates about one quarter of the national art museum population (PF3, 2005). Second, the growth of the Victorian fine art domain has been substantially influenced by the refurbishment and subsequent rejuvenation of this gallery segment in recent years. Third, similar values and level of activity, together with a long established tradition of trust, has reinforced the segment's internal dynamics. The collective's self-acknowledgement and realisation that it has its own unique governance structure and SUPPORT networks reflects the maturity of the group, and ensures the natural progression for its own formal alliance (PF3, 2005, p.6):

> It is a good network. The scale of the venues is consistent. The values are consistent. There are a lot of natural partnerships there. You tend to work in the same funding context so there are plenty of reasons why 'like should attract like.'
>
> *Interviewer: But it … hasn't happened before?*
>
> PF3: It hasn't happened. University art museums have had to give most of their attention to consolidation within their local context. They have got to make sure that they are valued and funded properly to survive. Now that a lot of them are getting more sophisticated and more secure I think they will all take a next step.
>
> *Interviewer: Because they have had a wave of new development too*
>
> PF3: Correct yes. Because it is a number of factors … structurally … universities have gradually realised that they are repositories for art and heritage and that they have a responsibility but they have also

> recognised that there is marketing potential there; the buildings are badged; the activities are badged and it is an attraction … there are subtle factors like the transition of art schools to university status … there has just been a lot of factors … that have contributed to the growth of that sector … and I think part of it is just realising that 'hey we are pretty big'. I don't think that means we are going to market ourselves as a slice of the segment but we are certainly going to try to smooth each other's passage by sharing what we can.

The overall conclusion is that clustering within the university SME segment has increased significantly over time. Co-location also appears to be significant as the depth of the knowledge networks focusses in the metropolitan district – where many of the university galleries are located. However, regional campuses also help to extend the STATE-WIDE RELATIONSHIP dynamic. The translation of art schools into universities furthers the interdependency between SUPPORT SECTOR networks including the education and commercial domains. This in turn broadens the range of horizontally-related industries and stakeholders that the sector interacts with.

During the dislocation phase, SMEs were able to re-evaluate relationships BETWEEN SUPPORT SECTOR networks within the region. Additionally, the organic growth of the fine art cluster, over time, provided a potential for the visual arts sector to see itself as a cluster. It also appears that firms' joint working relationships afford a variety of benefits in closely related industries – especially the education and government domains. This reinforces the depth of relationships with other vertically related industries. Hence the repercussion of the rejuvenation strategy appears to have a range of benefits for both intra-cluster and extra-cluster relationships including its support networks and community. This discussion provides a foundation for the significance of relationships in terms of knowledge flow, diffusion and patterns of interaction. This presents an opportunity for further investigation of the cluster's intangible assets and the significance of collaboration.

5.3.6 Collaboration

The logical outcome from the previous discussion is that of collaboration. The following section therefore focuses on the collaborative efforts between cluster members, development organisations, businesses and community. Further, interactivity and collaborative effort is explored using an entrepreneurial firm that is observed over time. This mature SME is tracked over the three transition phases and thus provides a micro-level understanding of intra-cluster and extra-cluster relations. The narrative provides insight into the cluster's intangible assets including its POTENTIAL for GROWTH, NETWORKING and the development of its CORE COMPETENCIES. Table 5.9 details the identification themes and research descriptors under investigation.

Table 5.9 Category identification theme and research descriptors

Category Identification Theme	Analysis Constructs	Research Framework Dimensions	Research Descriptors
Collaboration	Growth Potential Networking Developing Core Competencies	Development Orgs; Business and community	Networking and Interdependency

This section examines collaboration from the perspective of a SME geographically located in Melbourne's outer-metropolitan region. The narrative tracks this re-branded public entity over time which provides insight into the contemporary climate of the fine arts in Victoria. Discussion is based on the SME's rejuvenation process and the effect of dislocation on its growth and networking potential. In order to situate this SME within the fine art cluster it is compared and contrasted with the lead firm and discussed in terms of its structural interdependence between stakeholders. This account is used to provide a better understanding of how businesses within the fine arts and neighbouring domains inter-relate through clustering. Hence, this section examines a fine art entity's ability to work toward a common goal.

Interviewed during the dislocation phase (PF13, 2003) this SME provided a follow-up interview in 2005 (PF2). This ensured continuity into the understanding of the cluster's dynamics and SME activity. Input from other cluster members validate the discussion and consist of industry players that have established associations with the protagonists. This affords a final link to this study and its research framework.

5.3.6.1 Collaboration and a Fine Art Enterprise

The following SME narrative was chosen because it was, like the lead firm, in the mature phase of its existence. Its rejuvenation strategy was however different to the *NGV* in that its programs and facilities continued to operate during redevelopment. Re-positioning itself as a major art destination and cultural tourism product, this approach ensured an ongoing relationship with stakeholders including its philanthropic and corporate partners. This reinforced the value of the SME, strengthened intra-cluster and extra-cluster links while blurring boundaries between the fine art and its neighbouring clusters. PF2 (2005, p.3) describes its strategic position:

> … the positioning of it within the cultural sector itself, and the visual arts, is probably the second most important gallery to the *NGV* within Victoria. It is not a regional gallery, it is a metropolitan gallery but it has a national significance.

The SME's evolution established it as a significant figure within the industrial and regional fine art clusters. While this development paralleled the *NGV*, its size and location were in stark contrast to the lead firm's scale and inner-city position. This situation however, offered a momentum for innovative alternatives (PF1, 2005) in service delivery, product development and the inclusion of local content. Moreover, the importance of risk management and setting new benchmarks was considered to be a key attribute this SME. A similar positioned competitor compares the flexibility of a small player to that of the larger cultural institutions (PF2, 2005, p.3):

> We are able to take, I guess, more risks with our programming than what perhaps major cultural institutions are able to do…we have

> freedom to try new ideas … they do look to [us] and they are watching what we are doing.

The perception of risk verifies the importance of SMEs in developing innovative operational and product development strategies. Expanding supply networks through art prizes and joint working relationships with communities and art schools is seen to drive the industry and is considered a fundamental role of the SME. Outer-metropolitan start-up elaborates on its product development strategies and capacity to push traditional boundaries through community integration (PF1, 2005, p. 3):

> … no one had the courage … to do that art prize … we just took the risk. And I think the beautiful thing about a facility such as this [SME is] that if you take a risk and you fail, the consequences aren't great. Whereas if you take a risk of an art show like that at the *NGV* and it failed, the consequences of working on it are huge and I think that is the strength of the smaller part of this sector … and out of that [art prize and exhibition] artists got into the *NGV* collection. We actually created a momentum …

5.3.6.2 SME Study and Government Intervention

The following comparative analysis focuses on the intangible assets of networking and interdependency to determine if inter-relationships between two public galleries experienced change over time. The discussion is concerned with two issues. First, the dislocation and re-entry of the lead firm on the NETWORKING, interdependency and GROWTH POTENTIAL of fine art cluster members. Second, the manner in which collaboration between players helped to DEVELOP CORE COMPETENCIES of the individual and the collective.

The dynamic inter-relationships are explored by focussing on one small fine art enterprise. This SME was selected for two reasons. First, with its origins as a 'boutique specialist gallery' (PF13, 2003, p.26) it offers a solid contrast to the larger, mass-marketed *NGV*. Second, it reflects the industrial organisation and co-ordination mechanisms of other similar enterprises – including the lead firm. As this investigation is able to draw distinctions, and make connections, it is significant in highlighting the role of SMEs in the field of regional development and innovation. Hence, as a mature cluster member, this public gallery acts as a 'litmus test' to help identify the impact of the lead firm's dislocation and re-establishment as the dominant player.

Describing itself as 'the idea factory' (PF13, 2003, p.36) this SME's influence on the cluster's innovation and dynamism is greater than its size would imply (2003, p.18):

> It seems to me to be quite small [in contrast to] … the *NGV* with 200 … 250 staff, to me it seemed very small fry but when I compare [the SME] … in terms of ideas and the programs that it ran and the energy … it put on shows which were … equal to anything the *NGV* would do or any other state gallery from time to time.

While the SME's point of difference is its history of innovation, its 'phenomenal' collection (PF12, 2005, p.6) is still an integral part of its core exhibition program. Its origins as a house museum provide insight into local artist networks and consist of examples of artists' work which are not in the *Gallery*. However, in the pre-dislocation phase this unique selling proposition was becoming too familiar and the SME was in need of renewal (PF13, 2005). The Government's intervention strategy provided this opportunity for revitalisation. Together with other public sector members, the SME became a recipient of funding for a massive redevelopment program that was undertaken during dislocation (phase two). Unlike the *Gallery* which had to relocate during refurbishment, the SME's pavilion-style architecture 'which comprises a complex of (three) … physically separate spaces' (PF3, 2005, pp.2–3) enabled operations to continue. The SME's multi-campus site ensured the entity remained in both consumer and support networks' evoked set during the *NGV*'s dislocation phase. Further, due to the lead firm's assumed weaker role, the SME was able to build its brand and its subsequent ongoing collaborative efforts with philanthropists, sponsors and neighbouring clusters. Management's consideration of other co-located firms' restructure campaigns was instrumental in how this SME chose to implement its rejuvenation strategy (PF2, 2005, p.18):

> … there was a choice …. Do you close completely which is what … [an inner-city university gallery] did? … or do you do what the NGV did which was keep … a sort of core skeleton open? Which is what [this SME] … did ... [Remaining open] was important … from a communication [perspective] … [to have] the redevelopment plans on display; … [to] explain what is happening, what is going on …it also allowed [the SME] … to retain a number of staff …

This decision had positive operational and marketing outcomes. Its decisive and positive approach was vital in the operational and strategic positioning of the SME. While noted as an exceeding hectic period, the long term benefits ensured the working team was able to regroup as a collective (PF2, 2005, p18):

> … it has been very valuable … [to] sort out all the archives and things that really have a long term benefit. But also curate the shows; [and] … plan … curators have some time to do the decent research and you know the expectation of the public in the quality of the publications, the quality of the exhibitions that you have to do now, particularly for a small organisation is very labour intensive …

While rejuvenation was important for DEVELOPING the cluster's CORE COMPETENCIES, home-demand expectations were also heightened. This in turn had flow-on effects for both individual firms and the collective's networking capabilities. Moreover, the SME's increased capabilities and reputation ensured it was able to take advantage of the lead firm's dislocation. Subsequent large scale loan exhibitions that normally would be shown at the *NGV* were now staged at this outer-metropolitan SME. PF13 (2003, pp. 21–23) explained:

> … gradually the momentum really started … [The SME's curators] … did some … very ambitious projects … It was just a huge opportunity …they [*NGV*] just couldn't do things so [the SME] … just got loan after loan after loan. … we'd established the [reputation

> and means] … to do it … [the SME has] … credibility, professionalism, and [location].

The dislocation of the lead firm also provided an opportunity for visitor attitudes to change. Hence, travelling to outer-metropolitan galleries was not seen as a barrier any more. Instead, the demand for quality exhibitions was more important. Over time, the SME actually transitioned from a boutique specialist gallery with a very low attendance to a more accessible friendlier space. As the potential of the cluster grew – and SMEs became more self-sufficient in terms of funding and expertise – NETWORKING became more important. This was significant as prior to dislocation the cluster's collaborative links were limited and regionalised. Informants were consistent in the notion of an improved climate that encouraged the breadth and depth of the cluster's intangible assets over time. This view was relayed by PF2 (2005, p.15) who argued that 'networks … are extensive and have become broader and more professional'.

The networking and interdependency between members played an intrinsic role in a firm's ability to access new technology, increase demand and enhance its reputation. Hence, spillover effects and knowledge diffusion had a direct relationship to patterns of interaction and interactivity as firms 'talk to, and meet with, and cooperate with (players) on various projects' (PF2, 2005, p. 15). Thus, circulation of knowledge was often a by-product of collaboration.

While associations such as the *PGAV* and colleagues provide formal and informal sources of information within the public domain, collaboration with the local business and government proved to be critical in accessing new supply networks and resources. The SME's vision to create a new cultural precinct started to become reality with the collaborative efforts of two key government entities from outside the fine art domain. Parks Victoria, a government body that manages the State's recreational and heritage assets became partners to the SME's redevelopment plan. Together with input from the local Council, the region's potential as a cultural tourism destination was recognised (PF13, 2005, p.28):

> [Parks Victoria] … were great partners … but … also [local] … Council … they really got behind the concept of [a] … new cultural precinct … which then extended into a [regional] tourism group …
>
> *Interviewer: … [was this] from Tourism Victoria, as a major formal body?*
>
> PF13: It is all local…. It is mainly our local community [that] got behind what [the SME was] … trying to do.

Reaching its POTENTIAL as the 'jewel-in-the-crown' (PF13, 2003, p. 28), the SME became a key driver of regional development; while the cluster's improved internal dynamics provided momentum for new firm formation. A co-located privately owned start-up added to the region's niche tourism product. Hence, interactivity with commercial enterprises and government were found to be vital in DEVELOPING CORE COMPETENCIES both within and outside the fine art domain.

However, with its own building project facing delays, the SME's potential to optimise on the lead firm's dislocation were lessened. Upon re-entry of the *NGVA*, the focal firm's dominance was beginning to be felt (PF13, 2003, pp. 34–35):

> … [prior to dislocation] … I didn't see [this SME] … as a competitor in any way to the *NGV* … but I soon realised [upon re-entry of the *NGV* that] sponsorship from corporations … had completely dried up … They [had] … gone to the *NGV* … [The SME] tried … [as sponsorship] is terribly important to [its] success … It is a terribly competitive scene …

The *NGV*'s re-establishment furthered the threat of SME stagnation due to the inability to attract funding and visitors. While some small players felt it would take a while before restoring its status, others believed that SME interaction with business groups would continue to decline. This would place the small firm network into a volatile position. Hence, instead of a new cycle of rejuvenation, patterns of interaction and interactivity were perceived to be controlled by the lead firm and concentrated in the inner-city. The threat of these new market conditions and its competitive environment was so real for the SME under investigation that PF13 (2003, p.19) argued '… it's probably going to be blown off the face of the earth'.

Intervening opportunities during the consolidation stage, however, saw the collective emerge from this period of SME stagnation. Based on the innovative activity and interdependencies with related and supporting entities, the SME's ability to compete was improved. NETWORKING with the education system, for example, provided an opportunity for inter-organisational referrals and the subsequent access to the 'philanthropic community' (PF2, 2005, p.15). Collaboration with the education sector also provided an opportunity to access the knowledge networks of universities. This had positive ramifications for the growth of the SME, as well as the broader cluster system. This further highlights the network's intangible assets (PF2, 2005, p.15):

> We take interns from universities who want to work. We cooperate and participate in museum studies' curatorial programs because we have a strong interest in training good people for the future … it is professional development for my staff but it also then means that … the students are getting high quality information or knowledge about the reality of working. So I guess those networks that we have into academia are quite important and so yeah, the networks are extensive.

This suggests the SME understood that it belongs to a cluster but, more importantly, is directing its potential as a significant player within a knowledge cluster. This is evidenced by the SME's proactive effort in DEVELOPING CORE COMPETENCIES and a skilled labour force for the collective. This pattern of interaction suggests the SME works within an embedded depiction (Dowd, 2006) due to its collaborative behaviour and its balanced approach toward competitive and cooperative activities. Such co-ordination mechanisms add to the cultural and absorptive capacity of the cluster and can promote sustainable GROWTH and a potentially healthier cluster.

The *NGV*'s re-establishment phase witnessed the consolidation of the cluster's rejuvenation cycle. Reflecting a new confidence, the self-sufficient SME sector established stronger collaborative networks that collectively focussed on the sustainable POTENTIAL of the broader cluster network. Based on the SME's regional context rather than its governance structure, a grouping of outer-metropolitan firms formed a Sustainability Leadership Forum (Heide MoMA, 2009). The aim of this setting is to share information about best practice and to develop CORE COMPETENCIES for each organisation. As a leadership group, the SME's have endeavoured to re-orientate the patterns of interaction and knowledge flow away from the inner-city network to the outer-metropolitan district. This renewed social structure may prove conducive to the circulation of knowledge rather than the previous phase's top-down approach.

5.3.6.3 SME Study's Conclusion

The goal of this exploratory investigation was to focus on the dynamics of the fine art cluster from a micro-level. Informant's insights provide an understanding of the industry, its interactivity within and outside sector and collaborative efforts between players. This was essential in understanding change dynamics of the cluster and its ability to develop NETWORKING opportunities and GROWTH POTENTIAL. The level of collaboration and joint working relationships within the cluster and externally was also important to pinpoint, as this can determine how members define themselves and their relationships with each other. Thus, tracking the impacts and repercussions of change, through the experience of one SME, provides an opportunity to determine the way the cluster operates, its collaborative efforts and subsequent level of innovative activity. Hence, the focus on this micro-level study offers insight into the firm's ability to perform within a local framework – from both production and social system perspectives – during the three stages of transition.

The lead firm's capacity to influence the circulation of knowledge and interaction offers insight into the need for collaboration. Understanding such interactivity is therefore imperative as it acts as a critical pathway to generating information flow, knowledge transfer and innovative activity. Thus, intangible assets and its social context may determine the GROWTH POTENTIAL of the cluster and its contribution to regional prosperity.

5.3.6.4 Summary – Relations, Collaboration, Networks, Interdependency

The effect of dislocation needed to be understood in the long-term and therefore tracking one entrepreneurial firm over the three transition phases was essential. Informants' perceptions and insights in this parallel analysis helped illuminate the dynamics of the cluster and how inter-firm relationships were organised. The study suggests that as a result of the joint working relationships and collaborative efforts of SME's during transition, future patterns of interaction and interactivity could be reinforced. This in turn can help to expand and deepen the fine art cluster's intangible assets. This discussion emphasises the notion that fine art players are not simply co-existing – instead there is evidence of deep structural interdependence within the fine arts and its neighbouring clusters. A key development noted in this study was that collaboration and joint working relationships increase the ability of member's to access information, knowledge and resources. It also provides entry into new markets and expertise which in turn can enhance innovation activity, reputations and opportunity.

Chapter Six Conclusions and Implications

6.1 Introduction

This thesis examined the applicability of cluster theory in predicting what happened in a set of business relationships when a key player moved out for an indeterminate time but indicated that it would return. The study endeavoured to explain intra and extra cluster dynamics during a period of major change which came from the provision of government funding associated with the centenary of Australian Federation in 2001 and the subsequent government policy that accompanied it.

In its effort to contribute to the field of regional development, industrial organisation and innovation, as well as enhancing the understanding of the growth dynamics of a cluster, this exploratory investigation moved beyond the commonalities between suppliers, resources and technologies. Instead, it considered the cluster's intangible assets and support networks that act as a significant knowledge resource to the regional cluster.

In examining the dynamics of the fine art cluster, various models of operation were analysed so as to identify issues of networks, systems and cluster configuration. These industrial organisation and co-ordination mechanisms were significant in terms of the growth potential of the cluster and its ability to enhance (or diminish) innovation and dynamism. Boundary spanning and hybridisation were identified as important in the spread of influence of the cluster and contributed to its success. An understanding of the fine art cluster's scope was imperative in establishing if the cluster was better described as a cohesive innovation system or a ‘clump’ (Ffowcs-Williams, 2010) of co-located but isolated silo-firms with limited trust and interaction.

The study’s longitudinal design allowed the investigation of time-space relations and drew information from both within and beyond cluster boundaries in an attempt to recognise and examine patterns of interaction and interactivity. Moreover, its mixed methods approach helped to understand general patterns of order and structure from its particular sets of empirical data (Easterby-Smith, Thorpe & Lowe, 1991) over time. Thus, the study’s emphasis on cluster activity, processes and longitudinal research design provided an opportunity for comparability and hence theory building.

6.2 Outcomes

The visual art and craft sector face specific challenges as they are not the same as other business clusters, and common strategies will not work. Instead, the industry is highly dependent on proximity and operates through a specific spatial logic that provides opportunities for creative exchange and networking. As organic working clusters, their function is not only directed toward work but as places to live, socialise and for new collaborations to emerge. This necessitates a policy framework that focuses on the intangible assets of the fine art sector while continuing to build on a strategy of rejuvenation.

In this study, government intervention and its targeted policy toward growth created an impetus for change. This saw the fine arts evolve from a mature but stagnant cluster into a reinvigorated contemporary market model with broader appeal. Hence, rather than accept continued stagnation or imminent decline, the government’s policy directive and subsequent dislocation of the key player, moved the cluster into a period of consolidation.

The Victorian Government's policy and governance structure established the *NGV* as an anchor firm or 'hub' that represents the fine art sector and positions it as the dominant coordinating mechanism. This vertically integrated relationship system not only ensured that other cluster members must rely on the lead firm, but that their position is largely influenced by the *NGV* and the strategies that it employs. While it is argued that such governance processes can enhance cooperation and an opportunity for inter-firm knowledge exchange, this study has found that the cluster's co-ordination mechanisms inadvertently diminished innovation and dynamism. This suggests that the strength of the alignment between the government and its fine art public agency can be interpreted as detrimental to a functioning working cluster, reflecting Ffowcs-Williams (2010, p. 1) description of a 'clutter of public agencies that are unaligned and working in isolation'.

This research was used to analyse competitive dynamics and behaviour within the fine art cluster to ascertain whether by taking out a key player, the remaining SME's benefited through less competition, or the major player was the attractant and its absence detracted from the cluster. This was important because the strategic orientation of a lead firm can influence whether the cluster works from either a cooperative or competitive paradigm and can subsequently enhance or diminish knowledge mobility and innovation within the cluster network (Dhanaraj & Parkhe, 2006). This exploratory investigation found that, upon re-establishment of the lead firm, that the cluster appeared to work within two parallel frameworks. First, the lead firm operated in relative isolation from the rest of the cluster and this led to a silo structure (Ffowcs-Williams, 2010; DCITA, 2004; Ninan, 2004). In contrast, the SMEs as a group worked within an alternative 'embedded depiction' (Dowd, 2006) showing deep structural interdependence between stakeholders.

This thesis supports the notion that some cluster activity was already evident in Victoria's fine art sector prior to dislocation of the *NGV* and that following dislocation, the extent and strength of clustering increased significantly as members' collaborative links developed and expanded. The study also demonstrated the significant influence that the *NGV* exerts on the Victorian fine art sector through its ability to control information and resources and how, during dislocation, this domination was reduced and the cluster took on a different character. This was evident in that SMEs in the cluster became more self-sufficient, suggesting that the dominant player suppresses these smaller players during the normal life of the cluster. Consequently, there is strong evidence suggesting there is a significant difference in cluster relations and activity between the dislocation and re-establishment time-frames. That is, cluster behaviour changed over time and changed with the cluster structure.

Characterised by a decline in growth rate and activity (Weaver et al., 2006), consolidation was simultaneous with the reduced influence of the *NGV* during its dislocation. This life cycle sequence however, was short term. Despite the exit of the lead firm, the fine art cluster's changing characteristics saw the regional cluster increase its SME activity and progress into a cycle of rejuvenation. This was evident in that SMEs became more self-sufficient. Thus, the lead firm's dislocation (phase two) led to a change in the competitive dynamics of the cluster and was shown to meet the expectation identified in the Model of Competitiveness identified in chapter three (Figure 3.2).

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Cluster Meets Competition Strategy Expectation:
Exit of lead firm allowed SMEs to build on their level of interaction and improve their prospects.

During dislocation, many of the SMEs helped the cluster to further strengthen its social networks. Interdependencies between local competitors, home-demand and institutions were also reinforced during this dislocation phase with the collective's knowledge sharing and relationships directed toward the overall health of the cluster. This shift in competitive dynamics and behaviour reflected a mutually interdependent structure and subsequent changed strategic orientation. Classified as a working cluster, the patterns of cooperation and competition saw the cluster move along the Cluster Orientation Continuum (Figure 6.1) from a competitive stance to one of co-opetition. This mutually interdependent structure complements Dunning's alliance capitalism concept. Figure 6.1 illustrates the movement from phase 1 (prior to dislocation) and the lead firm's dominant position to one that reflects a mutually interdependent orientation during the second phase (dislocation). Further elaboration of the cluster's growth potential, outcome and life cycle stages are described in Appendix K.

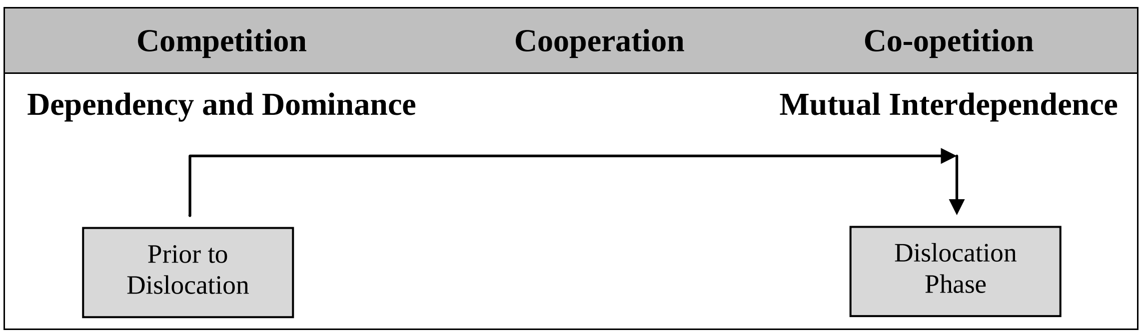

Figure 6.1 Cluster orientation continuum – describing dislocation

Several authors (Arikan, 2009; Perry, 2005; Gray et al., 1996; Markusen, 1996) speak of hub and spoke type clusters that emerge around powerful, globally connected, vertically integrated lead firms surrounded by less powerful SMEs. In clusters of this type, hierarchical control by the key player replaces institutional norms as the dominant coordinating mechanism for inter-firm knowledge exchanges. Since local fine art SMEs were dependent on the lead firm (prior to dislocation) for both resources and knowledge, their strategic position was largely determined by the *NGV*. Upon dislocation, this study demonstrated that the fine art cluster's industrial organisation moved from a market with a dominant player and subservient and dependent SMEs to a more competitive and collaborative structure that had more innovative SMEs.

The changed configuration (exit of the lead firm) established a pattern of simultaneous competition and cooperation – and mutual interdependence. The deep structural interdependence between stakeholders, a collective vision and self-awareness as a working cluster reinforced interactivity between players. This suggests that the fine art cluster moved beyond its formal hierarchical network to a grouping of firms that recognised itself as a cohesive system. Such heightened interaction provided further opportunity for knowledge sharing, innovation and cluster dynamism. The outcome of dislocation is that tangible economic factors and formal alliances expanded and deepened intangible assets – its informal inter-relationships, competitive cooperation and collective vision. Hence, a situation that has been dominated by a key player in the past subsequently reflected a more robust, working cluster where competitive advantage was developed, cooperation enhanced rivalry and close proximity spurred innovation.

Dislocation Phase – Meets Co-opetition Orientated Strategy:

The co-existence of cooperation alongside competition, where close proximity spur innovation and networks of relationships are greater than sum of parts.

Over the three phases of transition the fine art cluster moved beyond its hierarchical networks with limited interaction between co-located firms (phase one) to a collective of innovative firms with overlapping and fluid connections (phase two). Identified as a functioning cluster, three predictions were made in an effort to forecast the effect of the re-establishment of the lead firm (phase three) on cluster dynamics. First, a co-opetition orientated strategy predicted that the extent of clustering behaviour and interactivity would continue to increase innovative activity. As a robust working cluster, both SMEs and the lead firm would re-establish a pattern of simultaneous competition and cooperation, reflecting a mutually interdependent and cohesive system. Second, a cooperation orientated perspective predicted that stronger 'strategic innovation' (Palmer & Kaplan, 2007; Chesbrough & Teece, 1996) would be evident. Firms would re-position themselves as 'complementors' (Brandenburger & Nalebuff, 1996a) rather than competitors while network linkages would be stronger and greater than the sum of its parts. Third, the competition orientated approach predicted a re-positioning of players, decline in numbers and limited relationship networks.

After re-establishment of the lead firm, the industry structure returned but the cluster structure maintained its differences. During this phase the *NGV* positioned itself within the newly established but robust ‘working cluster’. However, despite the transition from stagnation into a stage of rejuvenation, the network of relationships began interacting within the confines of two competing economic frameworks. SMEs continued with their deep structural interdependence, while the self-interest of the lead player ensured it continued to remain unaligned with the majority of the collective. The cluster did not have a combined hybridised strategic direction but instead interacted within two different networking circuits. This internal dynamic indicated a tension between players that co-exist rather than cooperate.

The re-establishment phase demonstrated how the fine art cluster’s industrial organisation moved from a dominant player lead structure toward a more dynamic and interactive structure and finally arrived at a mutual co-existence of two different industrial systems. Cluster behaviour had therefore changed over time. Appendix L describes the fine art cluster’s industrial organisation and its activity level over the three phases of transition.

What is novel is that the lead player re-established itself within a new co-opetition orientated environment but continued with its own competitive focus and its silo structure emphasis. These co-existing strategies highlight the contradictory stresses within the network. However, the growth path of the cluster runs the risk of the lead firm overpowering the collective and instead, reverting to the cluster dynamics evident in phase one. This scenario would anticipate that local SME strategic positions would be determined by the *NGV*’s competition oriented strategy. While this outcome may pre-empt the cluster’s future dynamics it does offer an opportunity to identify and envision non-obvious operational and strategic impediments that may diminish future innovation and dynamism. (See Appendix M for a description of the fine art cluster’s co-ordination mechanisms and activity levels over time). Appendix N elaborates on the strategic orientation of the fine art cluster over the three phases and places it in context to the Model of Competitiveness introduced in chapter 3 (Figure 3.2). Representing the final re-establishment phase, the lead firm's position sits in contrast to the SMEs that make up the remainder of the cluster.

Consistent with literature findings, this longitudinal study reinforced the notion that a firms' ability to compete and respond to change greatly depends on its size and its bargaining power. A lead firm's position is significant as it can act as a gatekeeper to sources of knowledge and resources that are critical to the growth and innovative potential of a cluster. This hierarchical control can diminish innovation and dynamism within the cluster for a number of reasons. First, it can replace institutional norms and act as the dominant coordinating mechanism for inter-firm knowledge exchanges (Arikan, 2009). Second, it can create barriers to the circulation of knowledge. Third, lead firm strategies can direct the competitive orientation of the cluster as well as influencing evolving cooperation networks. Hence, a more intensive, systemic and broad-ranging collaboration between fine art SMEs, institutions and neighbouring clusters should be promoted in addition to initiatives that support SME-led experimentation.

In this study SME-led experimentation has been shown to be a significant catalyst in boosting the fine art sector's competitive potential. These small and micro-enterprises are typically the risk takers (European Commission, 2010) and played decisive roles in the consideration of new talent, development of new trends and the focus of new aesthetics. Informants within both the public and private domains were consistent in citing examples of the role, activities and behaviour of cluster members in ensuring the sector's growth and its direction. This was evident in the level of product development (Victorian Indigenous art prize is one example that established the validity of this local talent) and market development strategies (*Access Gallery* exhibitions help to convert non-user community groups into both visitors and exhibitors) undertaken by small firm owner-operators and managers. While the lead firm had a tendency toward market penetration strategies that focus on increased usage by existing users or attracting those from competitors in neighbouring clusters, the SMEs tend to test the market, its talent and potential in new visual art domains.

The link between firm strategy, organisational structure and processes (Zajac, Kraatz, & Bresser, 2000) highlight the relationships among firms within the cluster and its ability to collaborate. As prospectors (Slater & Olsen, 2000; Zahra & Pearce, 1990; Miles & Snow, 1978) SMEs continuously seek to locate and exploit new product and market opportunities. By contrast, the *NGV* response to its growth strategy is to cautiously follow prospectors into new product-market domains while protecting (and defending) a stable set of products, sponsors and users. This lead firm behaviour would be best defined as an 'analyser' (Slater & Olsen, 2000).

SMEs from the public domain were identified as critical boundary spanners in this study. Stimulated by entrepreneurial individuals immersed in their community's production and resource networks their initiatives (such as *Access Galleries* and art awards) played a significant role in supporting SME-led experimentation. Policy consideration therefore needs to be mindful of the community's connection to place and its regional responsibilities. Such policy would also help to broaden the State Government's vertically integrated relationship system and governance mechanisms – that are trying to drive cooperation from a top-down approach – to one that is local and organic in nature.

It was found that the prospecting outcomes of SME-led experimentation were not fully realised by the lead firm. So while SME informants were insistent of its importance and success in cultivating new links in the supply chain and developing home-demand conditions, the *NGV* was not able to embrace this concept of growth. There was general agreement amongst informants that the lead firm's analyser mindset, (that protects and defends a stable set of products and users), may be an inhibiting factor in its boundary spanning and collaborative capacity.

Benchmarking against its own standards reinforced the *NGV*'s tenet that, as the dominant player, its expertise and criteria drive the cluster and its growth potential. Thus, rather than introducing new sector initiatives and supporting regional networks, the *NGV* defends its dominant position by remaining exclusive. This locates the lead firm strategically – in terms of its power and influence – strengthening its legitimacy within the system and how it affects the actions of other actors. This perspective and top-down approach limits the activity levels and learning relationships that are conducive to innovation and dynamism. Moreover, despite government policy encouraging industry networks, access and engaging creative communities (Arts Victoria, 2008), the *NGV*'s limited interaction suggests it is unaligned and working in isolation.

The lead firm's power and influence has an ongoing ripple effect within the cluster as there is strong evidence suggesting that the firms with the strongest link to the *NGV* were the least likely to collaborate with other players. This suggests that the dominant player suppresses SMEs in the cluster. If regional development literature is consistent in interpreting clusters as dynamic resources that promote growth and innovation, then the structure of the cluster and particularly the behaviour that a dominant player induces, may be important in the consideration of the ideal cluster. This has significant implications for policy-makers and the current industrial organisation of the fine art cluster.

The findings in this exploratory investigation have been consistent with the learning model of clusters (Rosenfeld, 2001). Such clusters acknowledge the benefit of non-traded interdependencies, innovation and knowledge spillovers. To help facilitate the transfer and diffusion of knowledge, mentoring programs for prospective art industry workers can play a significant role, while benchmarking against competitors ensures the exchange of best practice. While mentoring and benchmarking can be significant components in cluster rejuvenation, they are especially important in the development of areas lagging behind the city's inner-metropolitan growth centre. Crucial to the sector's reputation and dynamism, all possible networks should be used to help facilitate these programs and benchmarking efforts. Hence, partnerships between art schools, universities and business, including any professionally run exhibition spaces that they may offer, need to be cultivated. Ensuring the awareness and development of higher performance standards of similar co-located organisations would create a context that encourages innovation and upgrading.

6.3 Innovation and Change

This study identified the fine art industry as a growth sector. However, cluster support through the Government’s development strategy has proved more problematic than Porter's (1990) model might suggest. Instead, the findings in this exploratory investigation have provided insight into the social structure of the cluster and the significance of its intangible assets in sustaining a dynamic and knowledge based resource.

In driving innovation, policy needs to enable better knowledge transfer and exchange within and across cluster boundaries, support networking opportunities, and if necessary, define new relevant place-based approaches that ensure the inherent dynamics of the fine art ecosystem are built upon and incorporated. This would also offer an opportunity for SMEs in the Victorian fine art cluster to become more self-sufficient and thus provide better opportunities to succeed as entrepreneurs. Reinforcing links and interdependencies will also increase capacity for knowledge exchange, sharing resources and mobility of its skilled workforce.

The findings of the study suggest that while changes have occurred within the fine art cluster, the potential of the government’s intervention has yet to be achieved. To continue the cycle of rejuvenation, policy will have to build on its established tangible assets and focus on interactivity. Development of a cluster’s intangible assets would provide an environment where change is actively enhanced, and in turn reinforce a climate that is inclusive to incremental innovation and knowledge flow. Such cluster-based policy would reinforce links and interdependencies along the value chain while providing easier access to resources, community networking opportunities and production facilities.

Consistent with literature findings, networking and interdependency and its subsequent collaboration and convergence between different creative disciplines and business sectors help drive change. This is especially evident with core industries such as the fine arts and its broader cultural and creative industries. A focus on the cluster's intangible assets will have benefits in not only blurring boundaries to ensure hybrid vigour – and subsequent increased vibrancy within the economy – but will help alter the competitive business model and industrial organisation of the cluster. Change in institutional behaviour (norms and practices) would then enable new businesses to emerge and grow and help match the pace of technological innovation necessary to compete in a global context.

The fine art industry cluster plays a pivotal role within the broader creative economy. Thus policy-making entities need to provide support and appropriate incentive schemes that advance the cluster's intangible assets, initiate boundary spanning strategies that bring actors together and facilitate interactivity.

Interaction is crucial and the key dimension necessary for sustainable growth and the overall vitality of the Victorian fine art industry. Hence, designing governance structures and incentives to stimulate interaction and knowledge exchange between players necessitates an appropriate cluster-based policy response. Considering that a healthy working cluster is synonymous with the notion of a cohesive system, the rationale is to foster dynamic market functioning and to remove any systemic imperfections that may inhibit knowledge flow, information sharing and the cluster's subsequent ability to innovate.

Innovation (Simmie, 1998) is the result of an interactive learning process that involves (often) multiple actors, from inside and outside, the firm. Hence, initiatives that develop existing relationships or encourage the emergence of inter-firm networks are therefore critical. Thus, the task of government and its cultural policy is to facilitate the networking process, build on the cluster's social capital and create an institutional setting conducive to organic cluster development. In practice, this means a shift away from the cluster's current industrial organisation, its vertically integrated relationship system and existing co-ordination mechanisms. Instead government needs to take a facilitating and moderating role to bring actors together and act as a catalyst in both clustering and the innovation process.

While government intervention has ensured positive growth within the fine art industry, its macro-level focus has been directed toward the cluster's tangible assets (cluster configuration, systemic character and regional responsibility). Policy now needs to be expanded and instead directed toward the cluster's internal behaviour. Thus, a micro-level consideration of the fine art cluster necessitates it focus on the cluster's intangible assets. A regional policy that emphasises patterns of interaction and interactivity will enable the cluster's networking and interdependencies to develop and help to address the systemic imperfections identified in this study. Hence, the situation that has been dominated by a key player in the past would be challenged. Instead the cluster's future would envision a market-led process with little government intervention.

The tangible factors associated with the fine art cluster's industrial organisation, co-ordination mechanisms and agglomeration together with its intangible assets contribute to the region's collective efficiency. The model below identifies 'interaction' as the key dimension that connects and extends these elements with the theories of growth, networks and innovation systems. It also ensures an ongoing cycle of rejuvenation and organic growth path that is more tightly directed toward competition and prosperity.

The internal organisation of the cluster and the firms that belong to it are determined by external parameters, over which the individual firm has no influence (Best, 2001). By contrast, this model works within the confines of a complementary theory (Swann, Prevezer & Stout, 1998) that shifts the fine art attraction from a static resource to a dynamic and knowledge based resource. An industry that follows a growth strategy that combines the cluster approach with a focussed cultural policy would help create an environment where social networks are developed and enhanced. This then can act as conduits for the dissemination of knowledge. This model therefore focuses on the development of the cluster's intangible assets which in turn would ensure greater levels of collaborative behaviour, innovative activity and competitive dynamics. Figure 6.2 illustrates the model that places interaction as the core factor influencing the cluster's positive growth path.

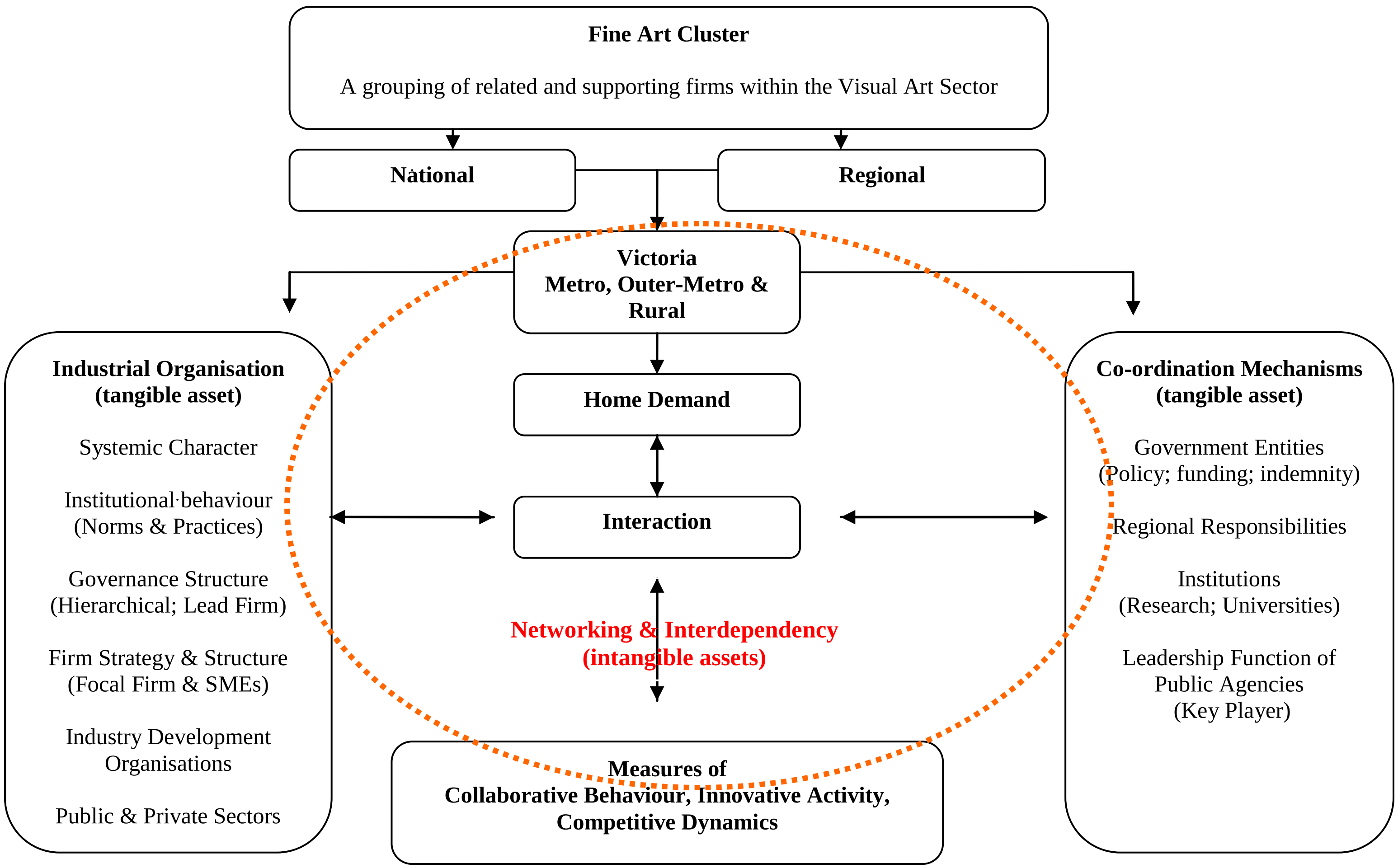

Figure 6.2 Model of interaction – A central dimension to competitive dynamics, behaviour and activity

6.4 Contributions to Knowledge

The contribution to the understanding of cluster dynamics based on this longitudinal study is that change in the cluster – or an industry with potential to operate as a cluster – in the absence of a key player, can be positive. Policy, however, does need to be revised if it is demonstrated that the cluster's functioning and prosperity is vulnerable to the 'hub' firm and its inter-firm relationships. Instead, interaction between players and within the cluster should be emphasised with its focus on strengthening the cluster's intangible assets – its network relations and interdependencies.

To ensure cluster development, policy needs to move from its current industrial organisation and co-ordination mechanisms to one that instead builds on the fine art cluster's core strength – its strongly embedded family of networking SMEs. Development of the Victorian fine art cluster's core competencies necessitates a move away from its 'clutter of public agencies' (Ffowcs-Williams, 2010) that are used as the key co-ordination mechanisms to one that emphasises the networks and interdependence of an organic working cluster. Interaction therefore needs to be the core function that policy application should be directed toward.

6.5 Future Direction

The fine art cluster's potential has been significantly developed through government intervention and its policy that identifies culture as a key economic driver for the State (Arts Victoria, 2008, 2003b). This focus and its impetus for change ensured the cluster's transition from a mature stage of development into a new cycle of rejuvenation. Regional development and growth have been significant with urban renewal evident within Melbourne's inner-city along with the substantial upgrading of outer-metropolitan and regional institutions. In addition, a process of national and international competition in both factor markets and final demand-markets has seen new companies, people and capital attracted to the sector. This is highlighted by development and expansion of the art auction house sector and commercial sales; government funding and indemnity programs; sustainable sponsorship and philanthropist opportunities, in addition to the increased rivalry and benchmarking amongst cluster members. On the other hand, the cluster's competitive position and the lead firm's limited ability to galvanise activity and enhance knowledge mobility plays a disruptive role that is detrimental to the cluster's overall health.

This study has been beneficial in highlighting the non-obvious opportunities (development of intangible assets) and pinpointing the more substantive issues related to the disruptive plays (knowledge transference and resource allocation) of the lead firm. The ability to envision these issues can create positive possibilities for organisational alignment amongst the cluster members, its support network and home-demand sector. This in turn offers significant potential to enhance innovation and cluster dynamism.

To ensure future opportunity, sustainable growth and the region's cultural and absorptive capacity, policy must be directed toward developing mutual interdependence of players within their own distinctive networks. Within the Victorian cultural landscape and its strong socially embedded 'family'(PF1, 2005, p.16), a framework for strategic innovation necessitates a policy that blends strategy and creative exploration. In an effort to build on the depth and strength of the cluster's intangible assets, future policy should be directed toward the development of the cluster's networks both within the fine arts and neighbouring clusters. Extending the reach of interaction also offers an opportunity to further develop initiatives, already in place, based on innovations in the global museum environment (The Melbourne Newsroom, 2010).

Consistent with modern innovation theory, insights of this study confirm the importance of social infrastructure to competitiveness. This has redefined the Government's potential institutional building role to one that is directed toward shaping cooperation, agglomeration and knowledge transfer. Thus, regional policy needs to expand its focus and direct it toward the facilitation of inter-firm cooperation (networks); building social capital and deeper structural interdependence between stakeholders (associative behaviour) and addressing systemic imperfections that may diminish knowledge flow and diffusion (spillovers). While the government still maintains a key role as catalyst and broker, its policy initiatives need to provide platforms for collaboration and experimentation with a strong emphasis on the cluster's intangible assets. The challenge for the Victorian fine art cluster is to harness its potential as a dynamic resource that promotes sustainable growth and innovation. Strategies that influence and enhance such an opportunity include the development of a cluster's networks and interdependencies within its local and regional environments.

This study highlighted the importance of the fine art's intangible assets in achieving its growth potential and the continuation of regional rejuvenation. Hence, policy needs to move from its current industrial organisation and co-ordination mechanisms to one that builds on the fine art cluster's core strength – its strongly embedded family of networking SMEs. To maximise the potential of SMEs within the cluster, established relationships need to be reinforced while new connections and opportunity for interactivity between the fine arts and business need to be built. Working in parallel to relationship building strategies, the sector's link with institutions also needs to be strengthened to ensure better synergies between government, resources and policy. Informants were insistent that this is only possible if fair access to the market – and knowledge – is guaranteed. Thus, the development of the fine art industrial organisation and coordination mechanisms would create an opportunity to diminish any barriers to the circulation of knowledge while also creating and maintaining a level playing field between stakeholders.

Joint working relationships amongst co-located firms were considered significant in developing the cultural and absorptive capacity of the cluster. Hence, co-ordination mechanisms should continue to distinguish between its districts in terms of Victoria's metropolitan, outer-metropolitan and regional businesses. Regionally responsible policy needs to integrate development strategies and partnerships with community associations and representatives, as well as business. This is important in ensuring long-term interactivity and continued development of home-demand conditions. By fostering regional networks, providing better support for stimulating creative start-ups and bringing the home-demand dimension into the existing cluster, policy can build on the strength of the existing socially embedded network that is currently in existence.

Policy 'enablers' (European Commission, 2010, p. 3) can play a crucial role in increasing the fine art sector's 'capacity to experiment, innovate and succeed as entrepreneurs', by providing easier access to resources, community networking opportunities and production facilities. This can reinforce links and interdependencies along the value chain from creation to production, distribution and consumption while also ensuring an increased capacity for knowledge exchange and mobility of a skilled workforce (for example artists, art centre managers and curators). Hence, to ensure the even distribution of knowledge and resources, a combined effort in different policy fields, especially competition policy, is required.

The ability of SMEs to work with communities that are traditionally non-participants in the fine art sector requires a deep structural interdependence between stakeholders. Relevance to local regional dynamics, cultural insight and sincere cooperation among participants is imperative in developing trust and can contribute to the economic development and social cohesion of a region. This is particularly important in indigenous communities (The Senate, 2007), where, despite the international success of the Aboriginal art and craft product, complacency in policy and practice would be detrimental to its sustainability (Altman, 2005). Hence, policy needs to support the better use of existing boundary spanners, together with the development of a broader and more varied working relationship between intermediaries (community art centres, galleries and dealers), and institutions that foster and support artists and that broker the marketing of their art. Artists operating as members of arts organisations, as independent producers or those not formally trained in the creative industries need to have access to local amenities and knowledge resources. Partnerships between art schools, university galleries and businesses can contribute to this aim.

Incubator units (European Commission, 2010) often established outside art schools but with their active cooperation, have proved successful in building bridges between community groups that may feel excluded (for example through lack of education or socio-political reasons) and those who actively interact. Hence, cluster-based policy needs to create favourable framework conditions that support appropriate incentive schemes for collaboration with (public) institutions. Respondents were consistent in arguing that the university sector played a significant role in developing these positive framework conditions and, as significant knowledge centres, were crucial in the cultivation of industry relations.

A range of innovative projects and practices currently under investigation within Melbourne's university and government sector (MSD, 2010, The Melbourne Newsroom, 2010; Gill, 2010) have sought to locate the intersection of such collaborative thought, framework conditions and the process of place-making developing across architecture, museology and other modes of cultural representation. A campaign to advance and realise a Victorian Indigenous Cultural Education and Knowledge Centre, in Melbourne's inner-city, offers a potential connection point for the government's eight public agencies and an opportunity for overlap between the fine arts and its broader cultural domains. Moreover, the revitalised cultural precinct envisaged at Southbank – adjacent to the *NGVI* and other arts companies – is an opportunity to harness the collegiate nature of the industries to one that has a 'shared vision' (Gill, 2010, p. 10) moving the organisations' from a 'manufactured' arts precinct to one that includes the arts college, the host community and inner-city visitors.

Aligning these public agencies would also take advantage of grass-roots growth, SME-led experimentation and place-based regional development. This could situate the concept of creative cities (Scott, 2006c) while helping to trace out the connections and dynamics of knowledge creation and creativity in a region without sectoral boundaries. Instead emphasis would focus on the regional variety of skills and competencies (Sölvell, 2009; Florida, 2002) where interaction could lead to new and sometimes unexpected ideas and creative concepts. Moreover, these novel notions would have favourable spillover effects into other industries, businesses and products.

With the general possibilities and limitations faced by policymakers in any attempt to build on a cluster's potential, the effects of globalisation are an important consideration. Boundary spanning efforts were therefore found to play a critical role in the prospective emergence of a worldwide network.

As public entities, universities were noted as being well-positioned in developing inter-firm and international collaborative interactivity. The exploration and expansion of links between university art museums, teaching and scholarship could therefore be of particular interest. Developing academic programs, university collections as well as establishing a dialogue about Australian art into international partners' curriculum could help negate the argument that international auction houses have not allowed room for the expansion of the Australian art market overseas (Ingram, 2006a). Hence, working closely with colleagues in universities – and their museums – could contribute to knowledge circulation and consolidate relationships within both the local and global museum environment.

The production processes within the visual arts are subject to constant adaptation and innovation. Information exchange and building on the cluster's intangible assets is therefore essential in its ability to retain its local vitality while boosting its global reach. Mentoring prospective art industry workers can help establish new links into the broader cultural and creative industry networks. This can have positive flow-on effects in developing the depth and density of the cluster and an added potential for the organisations they may work for in the future. This focus would also position policy within its current framework that identifies a culture of participation, an economy based on innovation and a dynamic arts sector (Arts Victoria, 2008). The key element however, is the translation of policy into reality.

Against this background, there is a need to build on the existing physical and social environment within the Victorian fine art cluster. This would offer the capacity of art industry workers, their related institutions and SMEs to benefit from this study's understanding of clustering and the advantage of co-location. Hence, policy needs to incorporate tangible outcomes such as studio space allocation that then reinforce the intangible assets associated with the ability for art industry workers to socialise.

Support for experimentation, innovation and entrepreneurship should not be underestimated as it builds on the growth that the Victorian fine art cluster has enjoyed since the government's intervention. Hence, a concrete cluster-policy that establishes co-located studios would ensure a stable and predictable working environment. This in turn would help bring actors together and thus facilitate the informal and formal exchange of knowledge. This would ensure that the cluster's knowledge creation capability, and its benefits, would remain high and continue the cycle of rejuvenation that intervention instigated. A policy that emphasises development of the clusters intangible assets, including involuntary knowledge exchange, would therefore diminish any potential stagnation that is often evident during the mature stage of a cluster's life cycle.

While the knowledge based theory of clusters (Arikan, 2009) primarily emphasise voluntary knowledge exchanges, involuntary knowledge spillovers have been highlighted as critical in enhancing collective learning and knowledge creation. By promoting a stable work environment, the dense ties already evident in the fine art network can be reinforced and central points for interaction between knowledge brokers can be made. These ‘learning regions’ (Nachum et al., 1999) and ‘communities of knowledge’ (Henry & Pinch, 2000) are crucial for continuing firm and cluster innovativeness and can act as a potential source of localised competitive advantage. Policy design necessitates support instruments that follow on, and at times adapt to the situation at hand. The current debate on the use of potential spaces above Flinders Street Railway station is one such example. Strategically placed and adjacent to the river and Melbourne’s art precinct, this transport hub offers an immediate opportunity to policy-makers and urban planners that will transform the inner-city into a creative hub that facilitates horizontal networks. This systemic and cluster-based policy response would enable the Government to shift its direct intervention strategy toward a market-led business development strategy. This rationale would also offer a policy response to the current industrial organisation and co-ordination mechanisms that are fostering systemic imperfections that are hindering the clustering and innovation process within the fine art network. This system of innovation perspective (OECD, 1999a) would offer a powerful alternative to help bring actors and organisations together while fostering knowledge exchange and transfer.

The nature of the fine arts' production and distribution system ensures that it cannot survive in isolation. Building on the fine art industry’s social capital is crucial to the self-empowerment of SMEs, facilitating the networking process and creating an institutional setting which provides incentives for market-induced cluster rejuvenation. Hence, taking a place-based development approach (European Commission, 2010) to the cluster’s rejuvenation would ensure a favourable environment for the innovation and sustainable development of the visual art sector. Focussing on concrete strategies where various disciplines work together would encourage boundary spanning between different sectors and disciplines while offering benchmarking opportunities to help secure excellence.

This exploratory investigation sought to understand the role of the *NGV* and its effect on the relationships, activities and behaviour of Victoria's fine art cluster members. The Government's intervention and the subsequent dislocation of the key player provided an opportune time to study the effect of the cluster's hierarchical governance structure and lead firm strategy on collaboration, innovative activity and competitive dynamics. This Government policy provided a significant platform for growth within the visual art and craft industry in addition to regional rejuvenation. While change in the physical and cultural landscape was tangible and specifically evident in changing the leisure and recreation attributes of Victoria and its inner-metropolitan district of Melbourne, organic growth opportunities, within the cluster, were overlooked. Instead, policy needed to build on the inherent social attributes of the cluster and direct its focus toward the cluster's intangible assets and its capacity to experiment and innovate.

Policy needs to be directed at ensuring the free flow of knowledge and unlocking any co-ordination mechanism that may inhibit its transfer. In practice, this would suggest a shift from the government's direct intervention strategy to one that incorporates a system of innovation perspective. Viewed from a systems approach would necessitate different co-ordination mechanisms – specifically the leadership function of the fine art's public agency. Instead, the fine arts governance structure incorporates a strategy where government plays a facilitating and moderating role. This perspective would offer a powerful alternative to help bring actors and organisations together while fostering knowledge exchange and transfer.

While Melbourne's inner-metropolitan district's reconstruction and development as a cultural centre is timely and secures important factor conditions for the cluster – a function well-positioned in terms of the state's focus – policy needs to concentrate on improving the efficient functioning of its systems. Developing the regional cluster's ability to act as a mutually reinforcing system, the Victorian fine art cluster needs to work within a similar paradigm as the nation's industrial cluster and the vision of its lead firm – the *NGA*. This co-opetition framework will help create favourable framework conditions for the smooth and dynamic functioning of competition policy while creating a context that encourages innovation and upgrading by setting a vision for both nation and region. On a macroeconomic level, strengthening the links and interactivity between players would maximise intra and extra cluster knowledge leakage and spillover effects and remove any systemic imperfections that may be evident in the current model. Hence, raising awareness of the benefits of knowledge exchange and considering the close social ties that are evident in the regional fine art cluster will help to foster a dynamic market.

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Appendix A Fine art, culture and its parallel link to tourism

Industry Division	Sector Groups	Sub-Sector / Classes	Characteristics
Core: Fine Arts	Visual Art & Craft	Crafts; Painting; Sculpture; Printmaking; Drawing; Multimedia (photography; digitalised works and virtual exhibitions).	• Creative expression for commercial and/or purely aesthetic/cultural outcomes • Non Industrial activities (non-reproducible goods & services aimed at being consumed on the spot) • Output are prototypes
Circle 1. Arts	Performing Arts	Music Performance, Drama, Dance, Music Theatre & Opera; Performing Arts Venues	
	Design	Architecture, Advertising, Graphic Design etc	• Industrial activities aimed at massive reproduction, mass dissemination and exports
	Music	Music composition & publishing, distribution.	
	Broadcasting; electronic or digital, and film	Radio, TV, Film and Video Production / distribution etc	
	Literature & print media	Primary literary Creation; Newspaper, Periodical & Book publishing & printing.	
	Other Arts	Arts education; Govt administration & support agencies; retail or support services to the arts.	
Circle 2. Culture	Heritage	Museums, antiques and collectables	• Management activities of sites and collections
Circle 3. Creative	An aggregation of the arts, culture, business and technology.	Commercially orientated in the form of advertising, architecture, art and craft, design, interactive leisure software, music, television and radio.	• Generates income through trade and intellectual property rights
Adjoining: Tourism	Cultural tourism	Utilises the performing arts, visual arts and crafts, cultural heritage and cultural events as its core feature	• Learning function involving consumption of the past (cultural heritage) and contemporary culture (cultural production including the arts and fine arts)

Adapted from Tourism Victoria, (2007b); KEA European Affairs, (2006) and ABS, (2008a, 2008d, 2006b, 2001a).

Appendix B Victorian fine art cluster members, geographic distribution and growth over time (2002, 2005 and 2008)

Fine Art Cluster Members	Geographic Region	2002 Dislocation	2005 Re-entry of NGV	2008 Established
Public Art Museums & Galleries	Inner-city	20	22	22
Public Art Museums & Galleries	Outer-Metropolitan	8	9	10
Public Art Museums & Galleries	Regional Victoria	22	23	23
Private Art Galleries	Inner-city and Outer-Metropolitan	124	146	148
Private Art Galleries	Regional Victoria	21	39	40
Education Centres and Universities	Inner-city	7	8	12
Education Centres and Universities	Outer-Metropolitan	5	5	5
Education Centres and Universities	Regional Victoria	2	3	4
Art Auction Houses (Key players only)	Inner-city	4	4	6
Art Fairs (biannual)	Inner-city	2	2	2

Source: John Furphey (2009); McCulloch J. (2008, 2005, 2004, 2003 and 2002); McCulloch, S. (2006 and 1994).

Appendix C Australian art auction sales by auction house

Year	Bonhams & Goodman $000's	Christie's $000's	Deutscher and Hackett $000's	Deutscher~ Menzies $000's	Joel Fine Art $000's	Lawson~ Menzies $000's	Sotheby's $000's	Other $000's	Total $000's
1988	-	8,012	-	-	-	-	14,904	15,558	38,474
1989	-	9,090	-	-	-	-	16,972	11,890	37,952
1990	-	4,259	-	-	-	-	5,464	7,006	16,729
1991	-	2,687	-	-	-	-	8,025	9,519	20,231
1992	-	11,912	-	-	-	-	10,666	6,329	28,907
1993	-	5,631	-	-	-	-	6,994	6,769	19,394
1994	-	8,338	-	-	-	-	9,041	8,688	26,067
1995	-	6,700	-	-	-	-	13,270	7,139	27,109
1996	-	14,726	-	-	-	-	14,276	8,794	37,796
1997	-	11,210	-	-	-	-	14,170	8,131	33,511
1998	-	14,206	-	8,431	-	-	16,139	11,344	50,120
1999	-	21,154	-	12,280	-	-	21,442	13,964	68,840
2000	-	31,342	-	14,063	-	-	20,224	12,422	78,051
2001	-	19,222	-	15,883	-	836	23,336	11,657	70,935
2002	-	12,822	-	25,928	-	3,449	28,233	9,383	79,815
2003	-	21,034	-	21,224	-	9,424	27,308	13,498	92,488
2004	-	15,789	-	30,178	-	6,374	21,345	16,343	90,029
2005	-	17,374	-	22,161	-	6,491	33,009	14,112	93,147
2006	4,823	11,050	-	26,560	-	13,400	31,850	17,167	104,850
2007	12,790	-	19,780	46,000	8,620	18,420	51,490	18,530	175,630
2008	14,610	-	15,500	31,340	3,520	8,880	21,880	18,958	114,688

Source: John Furphy Pty Ltd (2009).

Appendix D Art auction houses – national principal players 2001-2008

Parent Company	Auction House	Geographic Location	Ownership	Base Location	Position	Details
Bonhams (UK)	Bonhams & Goodman	Sydney	Multinational (UK)	Sydney	Challenger	New entry into Melbourne 2007 Purchase of Melbourne based auction house Leonard Joel in 2008. Est. joint venture Bonham & Goodman 2003
Christie's (France)	Christie's	Melbourne Metro	Private Multinational (French)	Melbourne	N/A	Christie's Australia (1980s-2006) Exited Australian. market in 2006 (1970s as representative office only)
Deutscher and Hackett (Australia)	Deutscher and Hackett	Melbourne Metro	Local	Melbourne	Challenger	New start-up 2007 – Challenger
Menzies Art Brands (Australia)	Deutscher Menzies	Melbourne Metro	Local	Melbourne Sydney	Leader	Brand established 2006 comprising: • Deutscher Menzies established 1998 • Lawson Menzies established 2001 Specialising in premium colonial, modern, contemporary & Aboriginal art.
	Lawson Menzies	Sydney	Local	Sydney		
Joel Australia (Australia)	Leonard Joel	Melbourne Metro	Australian family business acquired by UK based multinational in mid-2008	Melbourne	Follower	Leonard Joel (1911 – 2008) Market leader until 1980s where it lost its position to – competition. In recent years specialises in the lower end of the market (decorative art sales & art priced up to $2000)
	Joel Fine Art	Melbourne Metro	Merged with parent co. mid 2008	Melbourne	Challenger	New SME (2006 – 2008) Fine art arm of Joel Australia – specialising in premium end of fine art
Sotheby's (UK)	Sotheby's	Melbourne Metro	Multinational investor group	Melbourne Sydney	Defender	Entered Australian market (Melbourne) in 1968 Sotheby's Australia was established in 1982. Exited Australia in 2006

Source: Leonard Joel, (2008); Perkin (2008b); Coslovich (2007b); Ingram (2006b, 2006c); Edwards (2006); Porter (1990).

Appendix E Cover letter for survey and interview

Dear

My name is Deidre Giblin and I am a PhD research student at the School of Business, University of Ballarat. My research is investigating the scope and relationships of the arts and associated sectors during the disruption of the National Gallery of Victoria's (NGV) activities over the period 1999-2003. The significance of this research is to understand what happens to an industry and business relationships when a key player moves out of and then re-enters a market.

This study is undertaken over four years and will analyse the nature of the market place and organisations within it, and the interactions and relationships between organisations. The impact on this market or cluster will then be observed at three stages:

(i) Before temporary disruption of the NGV's activities
(ii) During disruption
(iii) Upon re-entry of the restructured NGV.

You have been identified as an important player in the arts and cultural industry and your participation in the study, through a self-administered questionnaire and interview, will provide valuable information for the research. This questionnaire requires you to give your impressions, to describe your organisation and its activities, and finally, to complete a series of scaled questions.

For the purpose of clarifying issues discussed in the questionnaire, you will be asked to give your impressions of some specific issues in an interview. The interview will take between one and two hours and your responses will be audio-recorded during the interview period. Before taking part in the interview you will be required to sign a consent form and I would like to assure you that your input will be treated as confidential and no direct quotes will be attributed to any participants' name and will be anonymous. Following the interview you will be able to review your responses to ensure they have not been misrepresented and you are free to withdraw from the project at any time, up until the data has been de-identified (that is, made anonymous).

Your input will provide valuable information for the strengthening of the arts industry, its growth and development and I thank you for your participation. The results of the research will form part of my PhD and may lead to publications in books and journals.

Thanking you in anticipation

Deidre K Giblin

Appendix F Arts industry survey

Thank you for taking time to take part in this survey. The object of this study is to identify and compare current issues and activities surrounding the arts industry compared to those experienced five years ago. Your input will aid in the understanding of the art industry's relationships and its links to other industries over time. The aim of the study is to investigate issues of change. The survey will take about 25 minutes to complete. There are no right or wrong answers; I am simply interested in your opinions. The questions are in two styles, that is, questions are in a 'tick the box' format or on a scale of one to five (1-5). The questions that are on a scale of 1 to 5 will be answered depending on your level of agreement, the level of importance or type of relationship (ongoing, infrequent or none).

This research is part of Commonwealth Government Grant undertaken in partnership with the National Gallery of Victoria (NGV), Art Exhibitions Australia Ltd and a Melbourne commercial gallery. Should you need further information you can contact Professor Julian Lowe on Ph. 5327 9400 or email – julian.lowe@ballarat.edu.au ☐

Section 1

1. Which of the following best describes your organisation?

☐ Publicly funded Melbourne Gallery ☐ Publicly funded Regional Gallery ☐ Commercial Gallery

☐ Leisure / Entertainment Service ☐ Supply goods/services ☐ Supply infrastructure

☐ Government Funding Body ☐ State owned Cultural Organisation ☐ Association

☐ Other ____________________

2. Which of the following best describes your organisation?

Victorian based organisation ☐ Interstate based organisation ☐ Multinational organisation ☐

3a. In which industry do you believe your organisation currently best fits? Identify only one.

Fine arts	☐	Entertainment	☐	Tourism	☐
Leisure	☐	Education	☐	Hospitality	☐
Performing Arts	☐	Culture	☐	Other _______________________	

3b. In which industry do you believe your organisation best fitted five years ago?

Fine arts	☐	Entertainment	☐	Tourism	☐
Leisure	☐	Education	☐	Hospitality	☐
Performing Arts	☐	Culture	☐	Other _______________________	

4a. Which of the following activities does your organisation <u>currently</u> engage in? Tick relevant boxes

Marketing	☐	Exhibiting	☐	Funding the arts	☐
Supplying goods/services	☐	Networking	☐	Authenticating/Valuing	☐
Education	☐	Other ______________________			

4b. Which activities did your organisation engage in <u>five years ago</u>? Tick relevant boxes

Marketing	☐	Exhibiting/Curating	☐	Funding the arts	☐
Supplying goods/services	☐	Networking	☐	Authenticating/Valuing	☐
Education	☐	Other ______________________			

5a. Using the statements below how would you describe the nature of the National Gallery of Victoria's (NGV's) <u>current</u> activities in Victoria? Tick the box indicating level of agreement, where 1= strongly agree & 5=strongly disagree

The NGV actively promotes the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV actively seeks people who are new to the arts	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV actively seeks new visitors and users to the arts	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV actively seeks other organisations for joint activities	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV is exclusive to the arts industry only	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV sets the scene for expertise / knowledge in the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV is actively involved in policy-making in the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV sets the standards for the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

5b. How would you describe the nature of the NGV's activities <u>five years ago</u>?

The NGV actively promoted the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV actively sought people who were new to the arts	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV actively sought new visitors and users to the arts	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV actively sought other organisations for joint activities	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV was exclusive to the arts industry only	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV set the scene for expertise / knowledge in the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV was actively involved in policy-making in the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV set the standards for the arts in Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

6a. Using the following statements, identify how your organisation currently relates to the NGV?

(NGV representatives go to Q7 please)

My organisation supplies knowledge and expertise to the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation supplies product / services to the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation has joint ventures with the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation is a source of information to the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV supplies knowledge and expertise to my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV supplies products / services to my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV is involved in joint activities / ventures with my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV is a key source of information to my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

6b. Using the following statements, how did your organisation relate with the NGV five years ago?

My organisation supplied knowledge and expertise to the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation supplied product / services to the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation had joint ventures with the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation was a source of information to the NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV supplied knowledge and expertise to my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV supplied products / services to my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV was involved in joint activities/ventures with my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
The NGV was a key source of information to my organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

Section 2

In the following section I would like you to comment on your current active, collaborative relationships with other organisations compared to five years ago. Tick the box that best describes the importance of these factors where 1 = extremely important to 5 = extremely unimportant.

7a. How important is each of the following factors to the current success of your organisation?

Links to regional commercial art galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to regional public galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to regional art groups and communities	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to regional suppliers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to Melbourne commercial galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to the National Gallery of Victoria (NGV)	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to Melbourne public galleries, other than NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to Government funding bodies	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Links to Melbourne supplier networks	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

Links to Melbourne art groups and communities	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate commercial galleries	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate public galleries	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate art groups and communities	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate suppliers	1	☐	2	☐	3	☐	4	☐	5	☐

7b. How important were the following factors to the success of your organisation five years ago?

Links to regional commercial art galleries	1	☐	2	☐	3	☐	4	☐	5	☐
Links to regional public galleries	1	☐	2	☐	3	☐	4	☐	5	☐
Links to regional art groups and communities	1	☐	2	☐	3	☐	4	☐	5	☐
Links to regional suppliers	1	☐	2	☐	3	☐	4	☐	5	☐
Links to Melbourne commercial galleries	1	☐	2	☐	3	☐	4	☐	5	☐
Links to the National Gallery of Victoria (NGV)	1	☐	2	☐	3	☐	4	☐	5	☐
Links to Melbourne public galleries, other than NGV	1	☐	2	☐	3	☐	4	☐	5	☐
Links to Government funding bodies	1	☐	2	☐	3	☐	4	☐	5	☐
Links to Melbourne supplier networks	1	☐	2	☐	3	☐	4	☐	5	☐
Links to Melbourne art groups and communities	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate commercial galleries	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate public galleries	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate art groups and communities	1	☐	2	☐	3	☐	4	☐	5	☐
Links to interstate suppliers	1	☐	2	☐	3	☐	4	☐	5	☐

8a. Using the statements below describe how you currently regard organisations similar to your own that are located within a eight (8) kilometre radius? Tick the box that best describes your feelings on a scale where 1= strongly agree and 5 = strongly disagree.

Similar organisations in my vicinity are direct competitors	1	☐	2	☐	3	☐	4	☐	5	☐
Similar organisations in my vicinity are important to my organisation's success	1	☐	2	☐	3	☐	4	☐	5	☐
Similar organisations provide information, knowledge and skills to my org.	1	☐	2	☐	3	☐	4	☐	5	☐
I am aware of what other similar organisations in my vicinity are doing	1	☐	2	☐	3	☐	4	☐	5	☐
My organisation makes every effort to set standards higher than these other organisations	1	☐	2	☐	3	☐	4	☐	5	☐
My organisation works closely with these other organisations	1	☐	2	☐	3	☐	4	☐	5	☐
My organisation is influenced by what these other organisations are doing	1	☐	2	☐	3	☐	4	☐	5	☐

8b. How did you regard these organisations five years ago?

Similar organisations in my vicinity were direct competitors	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Similar organisations in my vicinity were important to my organisation's success	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Similar organisations provided information, knowledge and skills to my org.	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
I was aware of what other similar organisations in my vicinity were doing	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation made every effort to set standards higher than these other orgs	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation worked closely with these other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
My organisation was influenced by what these other organisations were doing	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

9. Do you <u>currently</u> engage in joint working relationship with other organisations?

If yes, please indicate which types of organisations you have a joint working relationship with.

If no go to qu.10. Tick the box that best describes the relationship where 1 = ongoing to 5 = no relationship.

Regional commercial art galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Regional public galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Victorian based suppliers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Interstate suppliers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
International suppliers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Melbourne commercial galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
National Gallery of Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Melbourne public galleries other than NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Victorian art groups and communities	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Museums	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Restaurants / Bars / Clubs	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accommodation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Special Events	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Tour Operators	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Performing arts	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Cinema	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Libraries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Government funding bodies	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Government organisations (Tourism Victoria etc)	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Infrastructure (ie car parks etc)	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Other (please specify) _________________	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

9b. Did you engage in joint working relationship with other organisations five years ago?

If yes, please indicate which types of organisations you had a joint working relationship with.

If no go to Q 10.

Regional commercial art galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Regional public galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Victorian based suppliers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Interstate suppliers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
International suppliers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Melbourne commercial galleries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
National Gallery of Victoria	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Melbourne public galleries other than NGV	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Victorian art groups and communities	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Museums	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Restaurants / Bars / Clubs	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accommodation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Special Events	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Tour Operators	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Performing arts	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Cinema	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Libraries	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Government funding bodies	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Government organisations (Tourism Victoria etc)	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Infrastructure (ie car parks etc)	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Other (please specify) _________________	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

10. Do you currently collaborate with other organisations?

If yes, How important is collaboration with other organisations in relation to the following factors?

Tick relevant boxes only, where 1 = extremely important and 5 = extremely unimportant

Access to labour/expertise	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accessing goods/services from other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Access to new technology	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Increasing market demand	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Finding new customers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Enhancing reputation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Improving innovation and new product development	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Joint trade fair participation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

Joint marketing	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accessing new markets	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accessing export markets	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Joint market research	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Inter-organisation referrals to other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Inter-organisation referrals to your organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Other ___________________________	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

11. Did you collaborate with other organisations five years ago?

If yes, how important was collaboration with other organisations in relation to the following factors?

Access to labour/expertise	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accessing goods/services from other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Access to new technology	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Increasing market demand	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Finding new customers	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Enhancing reputation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Improving innovation and new product development	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Joint trade fair participation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Joint marketing	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accessing new markets	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Accessing export markets	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Joint market research	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Inter-organisation referrals to other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Inter-organisation referrals to your organisation	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Other ___________________________	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

12. Do you <u>currently</u> share any of the following with other organisations?

Tick relevant boxes only

Venues ☐	Equipment ☐	Labour ☐
Marketing ☐	Promotions ☐	Expertise ☐
Knowledge ☐	Innovation ☐	Other ________________

13. <u>Five years ago</u> did you share any of the following with other organisations?

Venues ☐	Equipment ☐	Labour ☐
Marketing ☐	Promotions ☐	Expertise ☐
Knowledge ☐	Innovation ☐	Other ________________

14. Is your organisation a member of an industry association? **Yes** ☐ **No** ☐

Please indicate which association you are a member of:

Public Galleries Association of Victoria (PGAV) ☐ Australian Commercial Galleries Assoc (ACGA) ☐

Other ____________________________________ ☐ Other __________________________________ ☐

15. How do you rate the following statements about issues of change in the <u>last five years</u>?

Tick the box that best describes your feelings where 1 = strongly agree and 5 = strongly disagree

My organisation has changed direction in the way	1 ☐	2 ☐	3 ☐	4 ☐	**5** ☐
It does business in the last five years.	1 ☐	2 ☐	3 ☐	4 ☐	**5** ☐
It sees itself in the last five years.	1 ☐	2 ☐	3 ☐	4 ☐	**5** ☐
It relates to other organisations in the last five years	1 ☐	2 ☐	3 ☐	4 ☐	**5** ☐
It has implemented strategies to instigate change in the last five years.	1 ☐	2 ☐	3 ☐	4 ☐	**5** ☐

16. How do you rate the following statements about change?

When my organisation is making changes they tend to be incremental changes.	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
When my organisation is making changes they tend to be radical changes	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

17. Please comment on how you develop knowledge and new expertise in your organisation.

My organisation recognises and adopts the …

Operational improvements made by other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Product / service improvements made by other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Technical advances made by other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
New marketing strategies adopted by other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Improvements in distribution made by other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Improvements in business strategies adopted by other organisations	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

18. How, if at all, does your organisation draw on sources of expertise and knowledge externally?

Please rate the level of importance where 1 = extremely important and 5 = extremely unimportant.

My organisation sources expertise and knowledge from

Other organisations from within the arts industry	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Other organisations from outside the art industry	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Industry Associations within the arts industry	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Industry Associations outside the arts industry	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Individuals from within the arts industry	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Individuals outside the arts industry	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Educational and training institutions within the arts industry	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
State / local Government initiatives	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Federal Government initiatives	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Other ________________________	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

<u>Section 3</u>
For statistical purposes, please answer the following questions.

19. What position do you currently hold in your organisation?
Owner ☐ Manager ☐ Owner/Manager ☐ Director ☐ Other ☐

20. How many years have you been involved in your industry? ________

21. How many years have you been involved in your organisation? _______

22. How many staff does your organisation employ?
☐ non employing business ☐ 1-4 ☐ 5-10 ☐ 11-15 ☐ 16-20 ☐ 20-29
☐ 30-39 ☐ 40-49 ☐ 50-99 ☐ 30-39 ☐ 40-49 ☐ 50-99 ☐ 100-149 ☐ 150 - 200 ☐ 200 or more

23. What is your gender?
Female ☐ Male ☐

Do you have any further comments you wish to add?

Thank you for taking time to complete this survey. Your knowledge, expertise and effort in completing this survey are much appreciated. For further clarification regarding outcomes of this study as well as contact for future comparative studies, would you please provide your email or phone number.

Appendix G Interview schedule

Major Purpose of Research

The purpose of this research is to understand the impact of the dislocation and relocation of the National Gallery of Victoria (NGV) on the Victorian arts industry.

Interview Schedule

1. Introductions and Explanation

- Introduction
- Explanation of the interview, purpose of the research **–** To understand what happens to a market, cluster or set of business relationships, when a dominant player moves out but indicates they will be back.
- Explain audio visual equipment and assure participants of privacy
- Explain the role of the interviewer
    - Present issues / subjects
    - Facilitate the discussion
- Participant introduction (name, occupation, title etc)
- Organisation introduction (Date established, number of employees etc)
- Define the boundaries of the discussion

2. Positioning

1. How would you describe the nature of your business?
   PROBE: Are you in the marketing of a product or do you actively seek people who are new to the arts field and promote their work?
2. In your field are you seen to be a large, medium or small organisation?
3. In your field are you seen to be a major player?
   PROBE: Is that because of your size, or the nature of the way you operate, or is there some other reason?
4. Do you see yourself at the cutting edge of your industry or more as an adaptor of ideas?
   PROBE:
5. Thinking about the National Gallery … How would you describe the nature of the NGV's business?
6. How do you perceive your business fits in relation to the NGV?
   PROBE: Do you feel you have an equal egalitarian relationship with NGV or more of a dependent relationship? Totally independent?

3. Attitudes Toward Relationships

1. Who are the people <u>inside the arts industry</u> you communicate with? Who do you receive information from?
2. Why is it an important relationship to you?
   PROBE: Do they supply you with product or is there a link of commonly held values? What are those values/products?
3. Who are the people <u>outside the arts industry</u> you communicate with? Who do you receive information from?
   PROBE: other industries (IT, communications, education)
4. Why is it an important relationship to you?
   PROBE: Do they supply you with product or is there a link of commonly held values? What are those values/products?
5. Are you a member of an overarching organisation associated with your field?
   PROBE: What is their name? What is the nature of your relationship to that body? Do they provide any expertise in your field?

4. Awareness and Perceptions

1. What organisation or person would you see as the most influential in your field?
   PROBE: In what way is their presence influential?
2. Where do you source new ideas?
   PROBE: Are these ideas beneficial in presenting your organisation in an advantageous light?

5. Attitudes to Competition

1. If a person started a similar or closely related business to your business, in a similar location, how would you view their presence?
   PROBE:
2. If on the other hand a similar or closely related business to your business, in a similar location, were to close down how would you view that event?

6. Attitudes and Perceptions of NGV

1. Thinking about your current relationship with NGV how would you describe it?
   PROBE: ongoing joint ventures, suppliers, source of knowledge/information, dominant player …
2. Has the disruption of NGV (from 1999-2002/3) affected your relationship with other arts industry members?

7. Attitudes to Change and Innovation

1. As a new business have you introduced processes or products/services …
    i. "new to yourself?"
    ii. "new to Australia?"

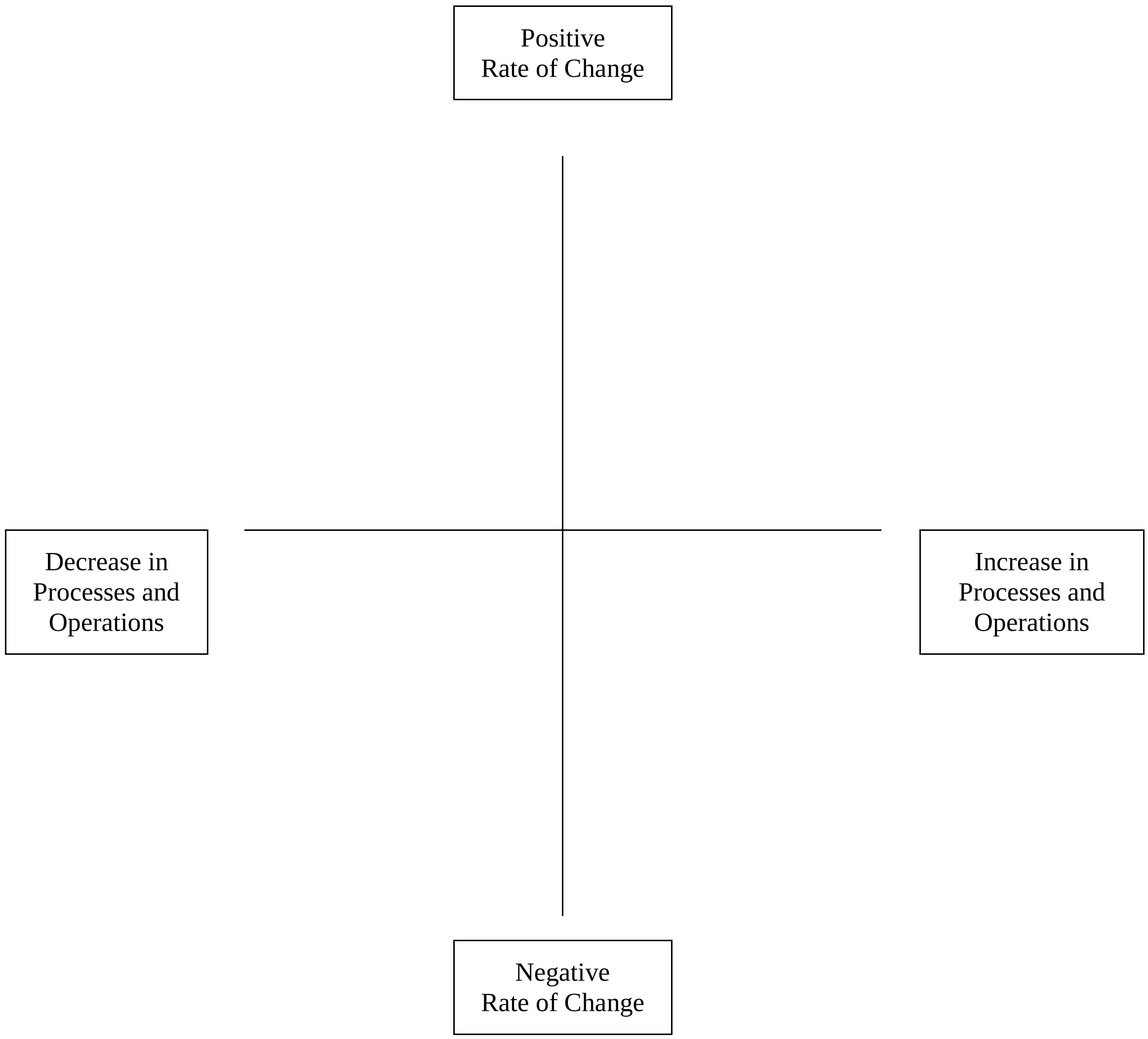
   PROBE: Differentiate between types of product /service changes and process /operational changes.
2. If you are making changes do you tend to make wholesale changes or are the changes more incremental?
3. What led you to make that change?

8. Understanding Positioning

1. On the following figure (see attached figure i) and ii) on following page where would you <u>currently</u> (2005) position your organisation?
2. Using the same figure (as used above) … where would you <u>currently</u> (2005) position the NGV.
   PROBE: Is the position of NGV the same as NGVA at Federation Square? If not, indicate position of both NGV specifically and NGVA in particular
3. How do you see the NGV during other time-frames …
    i. Pre 1999 (ie before its closure)?
    ii. 1999-2002 (ie during refurbishment and at Russel St venue)?

Figure 1 Product and Service Position Map

Figure 2 Processes and Operations Position Map



Appendix H Quantitative study – category identification data-map

Themes	Question no.	Identified Constructs	Survey Item	Descriptors
Perception of NGV activities (Focal firm)	Q5 (theme 1)	Driver	6, 7, 8	Expertise / knowledge; policymaking; standard setting
	Q5 (theme 2)	Boundary Spanning	1, 2, 3, 4, 5	Promotes art in Vic, seeks new artists, visitors and users; joint activities; exclusive to arts
Relationship to Focal Firm (NGV)	Q6 (theme 1)	Orgs' Cooperative Relationship	1, 2, 4	Org supplies knowledge/expertise; info source
	Q6 (theme 2)	NGV's Cooperative Relationship	5, 6, 8	NGV supplies prod/services; knowledge/expertise; info source
	Q6 (theme 3)	Mutual Relationship	3, 7	Joint activities b/w NGV and org
Collaborative Links	Q7 (theme 1)	Melbourne	5, 6, 7, 10	Melbourne commercial, public, NGV and art groups and suppliers;
	Q7 (theme 2)	Regional	1, 2, 3, 4	Regional commercial, public and art groups and suppliers;
	Q7 (theme 3)	Interstate	11, 12, 13, 14	Interstate commercial, public, NGV; art groups and suppliers;
	Q7 (theme 4)	Input	8, 9	Government funding and Melbourne supplier networks
Competitive Environment	Q8 (theme 1)	Cooperation	3, 6	Co-located similar organisations provide information / knowledge / skills and work closely with
	Q8 (theme 2)	Competition	1, 2, 7	Co-located similar orgs are direct competitors; important to success and influenced by.
	Q8 (theme 3)	Benchmarking	4, 5	Awareness of and higher standards than similar co-located firms
Joint working relationships (Breadth of cluster)	Q9 (theme 1)	Support sector	10, 11, 12, 13, 15, 16, 20	Government, research community and infrastructure; museums; special events; education centres, sponsors and philanthropists
	Q9 (theme 2)	Relationships between businesses	1, 2, 4, 5, 6, 8	Commercial and public firms; suppliers;
	Q9 (theme 3)	Relationship b/w sectors	14, 19,	Tourism, Culture, Arts, Finance etc
	Q9 (theme 4)	Statewide Relationships	3, 9	Victorian based suppliers; art groups and communities.
Collaboration	Q10 (theme 1)	Growth (potential)	3, 4, 5, 6, 7, 8, 9, 10, 12	Access new technology; increase demand; enhance reputation; product development; joint trade fairs and marketing efforts; market development and penetration; joint research;
	Q10 (theme 2)	Networking	11, 13, 14	Access export markets; inter-organisation referrals; knowledge sources.
	Q10 (theme 3)	Develop core competencies	1, 2	Access new technology; increase demand; new customers; enhance reputation; innovation and development; joint trade fairs and marketing; access new markets; joint research

Appendix I Overview of participant firms (PF) and year of interview

PF1	This SME start-up described itself as an 'innovator', a position that had been earned through its product development strategies and community integration. This community-based public firm was located in outer-metropolitan Melbourne. On-site interview in 2005.
PF2	As a re-branded outer-metropolitan SME in the mature phase of its life cycle, this public entity had its beginnings as a house museum. Interviewed onsite in 2005. This was a follow-up interview undertaken in 2003 (see PF13).
PF3	Co-located with the lead firm this inner-metropolitan player was part of the university gallery segment. Onsite interview in 2005.
PF4	Interviewed in the dislocation phase (2003) at an NGV boardroom, this State trade association has a public art museum and gallery focus.
PF5	A lead firm representative interviewed onsite in 2005. Provided a marketing perspective.
PF6	A lead firm representative interviewed onsite in 2005. Provided an operations perspective.
PF7	A lead firm representative interviewed onsite in 2003. A follow-up interview was undertaken in 2005 (see PF 8).
PF8	A lead firm representative's follow-up interview undertaken onsite in 2005. Provided a management perspective.
PF9	Located in outer- metropolitan Melbourne, this SME's new brand image and strategic direction re-positioned it within its community. Interviewed onsite in 2005.
PF10	This SME start-up was directed by an established professional with extensive links both within and outside the region's fine art sector. Opening in 2002 (dislocation phase) this not-for-profit organisation provide for the fine art, arts and cultural industries. Its inner-city location and vision ensured it was well-positioned as a key boundary spanning entity in both corporate and social domains. Interview took place onsite in dislocation phase (2003).
PF11	A Government policy-making entity from the cultural sector. Located in inner-city the interview took place onsite in 2005.
PF12	This SME start-up, located in regional Victoria was a not-for-profit entity limited by guarantee. This firm was set up under the Australian Government's philanthropic policy which was delivered in 1999 (pre-dislocation phase). Interviewed in the re-establishment phase this firm followed the private art museum model.
PF13	This SME, located in the outer-metropolitan region, followed the boutique museum model. Interviewed in the dislocation phase (2003) this firm provided a follow-up interview (see PF2) in 2005. Tracking its redevelopment provided the opportunity to study this fine art enterprise over time.

Appendix J The Curator's Role – NGV Perceptions

Staging exhibitions is one of the key functions of a public art museum. Hence, the role of a curator is a critical factor in how a gallery is positioned within its competitive environment and more importantly, how it is perceived by other players and visitors. While the *Access Gallery* helped to drive the NGV's BOUNDARY SPANNING efforts in the pre-dislocation phase, the ongoing role of the curator necessitates further examination. In an effort to understand the specialist field of the curator, informants from the lead firm provide both operational and marketing perspectives and the influence of technology and globalisation in driving change.

Traditionally the curator's role was seen as a 'keeper of the collection' (PF6, 2005, p. 23) however over time this responsibility has broadened to encompass both development and coordination of exhibitions. Exhibition development entails a thorough knowledge of the collection and themed selections of works can be staged in-house or toured. Coordination of exhibitions, on the other hand, has local specialists that 'co-curate' (Hill, 2010, p. 3) pre-packaged exhibits that have been developed elsewhere. The extent of a curator's role is discussed by NGV informant, PF6 (2005, pp. 23–24):

> Now [2005] there is more pressure on curators to … develop exhibitions and I think … [*NGV*] is more extreme where [it is]… just about exhibitions. [For example, a loan exhibition] … would have been curated by an [external] curator … but when it arrives here it needs somebody to … put our … mark on it so … all the people here [curators, transport, storage] know what is to be expected, that we are … involved in how it looks … there are a lot of variations.

Exhibitions such as the *Melbourne Winter Masterpieces (MWM)* series staged annually at the *NGV* are a prime example of a pre-packaged exhibit. Curated by external specialists they are coordinated by a *NGV* curator for display. *Gallery* respondent PF6 (2005, pp. 24–25) explained:

> Well they [lending art museum] had it curated in a sense that it [the exhibit] came as a packaged show but [the *NGV* curator] did all the press and did all the talks to education, staff and to teachers and to [*NGV*] Members' programs.

Throughout the duration of this study, an increased amount of coordinated major exhibitions were staged, and co-curated, by the *NGV*. The assistance of local curators was therefore important in the value-adding process of the collection on loan which can include brochures, catalogues or sourcing films to accompany the exhibition. It was emphasised, however, that the on-site director had 'the final say' (PF6, 2005, p. 25).

Exhibition development was also a timely and productive way for an institution to enhance its reputation or collection during renovations or major refurbishments. Hence, rather than solely acting as a cultural event that reinforced links between players, this strategy had significant operational benefits. For example, during the dislocation of the *NGV*, part of its collection was pre-packaged and toured in international and regional destinations. This approach was not uncommon, with the *NGV*'s *MWM* (2005) series borrowed from the Rijksmuseum during its renovation and restoration. Similarly, in 2010 the artworks on loan from Frankfurt's private Stadel Museum came about because that museum was closed while a new wing was built (Hill, 2010).

Technology has had a significant effect on the time consumed in preparing and staging an exhibition. This in turn has had repercussions on the curator who has to deliver a broader range and higher volume of scheduled exhibitions. Thus, technology, volume and capacity have become a key differentiating factor in driving the *NGV*'s operations and output. This in turn had implications for marketing and the *Gallery*'s strategic direction. A marketing perspective was provided by a lead firm participant PF5 (2005, pp. 1–2):

> … for the purposes of the marketing plan, (*NGV*'s) … key kind of activity [is described] as *Artetainment*. So it's increasingly [moving] from … a fine art

> museum and moving into the sort of leisure / entertainment segment. So we are seeing that convergence, I think, throughout the sector
>
> *Interviewer: … is [it] … changing … its focus from five years ago?*
>
> PF5: … its focus is still very much the same, in terms of its credential and integrity and in terms of its presentation of the product of art [however] … its marketing has kind of shifted. So it is a positioning … of the gallery, rather than its core kind of output, that I think, has shifted.

While the *Gallery*'s market position may have shifted, its focus and core product remained the same, ensuring it continued to build on its strong brand. This presented a unique and superior point of difference that smaller firms could not easily emulate. This in turn helped shape the leader into a defensive position.

Appendix K Describing the fine art cluster's growth potential – three phases

Dimension	Phases	Activity Level	Description	Outcome
Growth Potential	**Prior to Dislocation:** Despite national growth: i) Victoria's commercial art sales were stagnant ii) Number of Victorian galleries were decreasing iii) Product development limited with narrow focus	Mature cluster	i) The cluster is stagnating between two models – the traditional and contemporary cultural enterprise. Rather than accept continued stagnation or imminent decline the cluster needs to redefine and rebrand itself. Government intervention and policy directive creates the impetus for change. ii) A vertically integrated relationship system ensured that cluster members relied on the lead firm and their position was largely determined and directed by the NGV and its competition orientated strategy. iii) Economies of scale played an increasing role.	The NGV exerts significant power over the sector through its ability to control information and resources.
	During Dislocation: Despite SME activity increasing: i) There is a decline in the growth rate and tourism related activity ii) SMEs consolidate and strengthen social networks	Consolidation	Consolidation is characterised by a decline in growth rate and activity. i) The co-existence of cooperation alongside competition reflects a transition from its competition orientation or one of co-opetition. ii) Close proximity of players spur innovation iii) Networks of relationships are greater than sum of parts	The lead firm's control was reduced and the cluster's characteristics changed. This was evident in that SMEs in the regional cluster became more self-sufficient. There is a shift in competitive dynamics and behaviour – The collective's knowledge sharing and relationships were directed toward the overall health of the cluster.
	Re-establishment: i) Reversal of Melbourne's loss of market share in terms of sales and number of commercial SMEs. ii) Increased attractiveness for new firms, people and capital to industry to city	Rejuvenated cluster	Contemporary reinvention due to government interventio i) Public galleries and NGV reinvigorated through creative product, image redefinition as well as re-positioning of brand.. ii) Extended the industry cluster's appeal to a broader market with greater sustained growth potential.	An upturn onto a new cycle of rejuvenation based on innovative activity and outcomes from knowledge flows, information sharing and regional competitiveness. A combination of strategies is working simultaneously. This sees the mutual co-existence between lead firm and SMEs that make up the remainder of the cluster.

Source: Adapted from Sölvell (2009); Dowd (2006); Weaver & Lawton (2006); McRae-Williams (2005); Dunning & Boyd, (2003); Enright (1996); Butler (1980).

Appendix L Describing the fine art cluster's industrial organisation – three phases

Dimension	Phases	Activity Level	Description	Outcome
Industrial Organisation	**Prior to Dislocation:** Classified as a latent cluster i) Isolated firm behaviour ii) Potential benefits of local knowledge, expertise and resources not exploited iii) Relationship and knowledge diffusion were based on regional responsibility, efficiencies and problem solving.	Asymmetric Competitiveness Perspective	Identified the key player as a 'silo structure' with activities that show little evidence of spontaneous collaboration. Focal firm shows evidence of self-interest with little inter-firm relationships	Competitive dynamics situates the cluster within an asymmetric competitiveness market perspective. This has repercussions identified as: i) Insufficient level of interaction and information flows to truly benefit from co-location ii) Mutual co-existence between NGV and SMEs iii) Relationship between focal 'silo' firm and SMEs is one way from NGV.
	During Dislocation: Classified as a working cluster i) Firms recognise they are part of a collective with common goals ii) Networks of strongly interdependent firms iii) Knowledge sharing and relationships were based on overall health of cluster.	Embedded Depiction	Evidence of deep structural interdependence between stakeholders. Cooperation among participants. Collaborative relationships between firms, government and multilateral organisations.	Co-opetition situates the cluster within a modified alliance capitalism perspective. Evidenced by: i) Balanced cooperative and competitive activities ii) Intangible Assets expanded / deepened iii) Interaction and self-awareness as a cluster
	Re-establishment: Classified as a potential cluster	Works within two competing organisational frameworks (asymmetric competitiveness and embedded).	SMEs continue with their deep structural interdependence – but this is not incorporated into a well-functioning working cluster due to self-interest of focal firm. Tension between players that co-exist rather than cooperate.	Co-existence of lead firm and SMEs: i) Re-focus on a top-down approach that reinforced the vertically integrated relationship system ii) Gaps in information flow and resource sharing evident again – limiting sustainable growth iii) Lacked interaction and self-awareness of a working cluster

Source: Adapted from Sölvell (2009); Dowd (2006); Weaver & Lawton (2006); McRae-Williams (2005); Dunning & Boyd, (2003); Dunning (1997); Enright (1996).

Appendix M Describing the fine art cluster's co-ordination mechanisms – three phases

Dimension	Phases	Activity Level	Description	Outcome
Co-ordination Mechanisms	**Prior to Dislocation:** Evidence of a cluster i) Partnerships between stakeholders required intervention from a dominant management agency (Arts Victoria policy). ii) Some dialogue and knowledge spillovers (evident in SMEs) while information exchange is limited and flowing one way (in a top-down approach).	Limited	Inter-firm relationships are vertically integrated and from a top-down approach. Inter-firm relationships and how they are organised Evidence of cooperation or recognition of need to cooperate.	Operational and strategic positioning diminished innovation and dynamism. Dominant stakeholder's needs were detrimental to SMEs
	During Dislocation: Changing power relationships: i) SMEs become more self-sufficient while the lead firm's control was reduced	Systemic	Change in power relationships Inter-firm relationships change to one that reflects Synergy where the networks of relationships were greater than sum of parts.	Operational and strategic positioning enhanced innovation and dynamism
	Re-establishment: Parallel existence of players: Competing approaches and conflicting interests between lead firm and SMEs	Working within the confines of two competing economic frameworks – Competition and Co-opetition	Mutual co-existence from lead firm perspective Mutual interdependency between SMEs	Dysfunctional cluster that sees the focal firm working under one set of rules and the remaining SMEs working with another set of norms and practices. Operational and strategic positioning of lead firm is re-established while SMEs remain self-sufficient and dynamic. i) Evidence of tension between players

Source: Adapted from Sölvell (2009); Dowd (2006); Weaver & Lawton (2006); McRae-Williams (2005) Dunning (2003); Enright (1996).

Appendix N Model of competitiveness – incorporating the cluster orientation continuum

Model of Competitiveness

Asymmetric Competitiveness Model

Lead Firm

1. **Co-opetition:** The co-existence of cooperation alongside competition, where competitive advantage can only be developed if cooperation enhances rivalry; where close proximity spur innovation…networks of relationships are greater than sum of parts.

   Expectation: Exit of major player will damage all existing firms
   Prediction (P1): Upon re-establishment of the lead firm, a more robust 'working cluster' is evident due to the restructure. Increased innovation in individuals and collective (cluster).

2. **Cooperation:** Knowledge spillovers and exchange of information evident, rivalry limited, 'complementors' in creating the market and in product development.

   Expectation: Exit of major player will limit market potential
   Prediction (P2): Upon re-establishment of the lead firm stronger 'strategic innovation' among members is evident; firms re-position as 'complementors' rather than competitors, with stronger network linkages… network of relationships are greater than sum of parts.

3. **Competition:** Exit of lead firm stimulates competition, with competitive moves and new entry reducing industry margins and firm profitability.

   Expectation: Exit of lead firm will allow the SMEs that make up the remainder of the cluster to build on their level of interaction and improve their prospects.
   Prediction (P3): Upon re-establishment of the lead firm into the cluster there will be re-positioning of players and limited relationship networks.

Alliance Capitalism Model

SMEs

Competition	**Cooperation**	**Co-opetition**
Dependency and Dominance		**Mutual Interdependence**